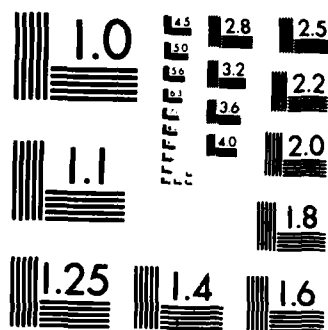


UNCLASSIFIED

SUMMARIES OF CONCLUSIONS AND RECOMMENDATIONS ON
DEPARTMENT OF DEFENSE OPERATIONS(U) GENERAL ACCOUNTING
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*Report to the House
and Senate Committees
on Appropriations by the
Comptroller General of
the United States*



ADA 126052

**SUMMARIES OF
CONCLUSIONS AND
RECOMMENDATIONS ON
DEPARTMENT OF DEFENSE
OPERATIONS**

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This is a summary of GAO's conclusions and recommendations resulting from its audits and other review work in the Department of Defense on which satisfactory legislative or administrative actions have not been taken. These summaries are compiled to assist congressional committees in their review of budget requests for fiscal year 1984. Previous GAO reports brought these matters to the attention of the congressional and departmental officials.

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March 4, 1983



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-205879

The Honorable Jamie L. Whitten
Chairman
Committee on Appropriations
House of Representatives

The Honorable Mark O. Hatfield
Chairman
Committee on Appropriations
United States Senate

This is our annual report of summaries of GAO conclusions and recommendations resulting from our audits and other review work in the Department of Defense on which satisfactory legislative or administrative actions have not been taken. We believe that it is important for GAO to continually follow up on these recommendations and, as such, have established an automated system to track and record, every four months, the status of congressional and agency actions. We believe this system will result in a more timely and useful report.

The summaries will be of interest to your Committees in their review of budget requests for fiscal year 1984. Our reports have previously brought these matters to the attention of the Congress and departmental officials. We have not included suggested questions to be asked in appropriations hearings; however, we will suggest specific questions on the items summarized if you desire.

A report of conclusions and recommendations concerning the Federal civil departments and agencies (OISS-83-1) is being submitted separately.

We are sending copies of this report to the Department of Defense and the military departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations hearings.

Sincerely yours,

Charles A. Bowsher

Comptroller General
of the United States

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**SUMMARIES OF CONCLUSIONS AND
RECOMMENDATIONS ON DEPART-
MENT OF DEFENSE OPERATIONS**

U.S. General Accounting Office

Charles A. Bowsher, Comptroller General

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DEPARTMENT OF DEFENSE - MILITARY

Budget Function Heading
(Reports with other than a
Defense Budget Function appear
under the Heading "Non-Defense
Budget Functions")

MILITARY MANPOWER

Title — *Civilianizing Certain Air Force Positions Could Result in Economies and Better Use of Military Personnel*
Report Number/ — (PLRD-82-75, 8-11-82)
Document Date

Departments of Defense and the Air Force

Agency/Organization
Concerned

Budget Function — Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority — Legislative Authority: Department of Defense Appropriation Authorization Act, 1975. P.L. 97-39. P.L. 96-342. DOD Directive 1400.5. DOD Directive 1100.9.

Abstract — GAO discussed how the Air Force could reduce costs at Strategic Air Command (SAC) missile bases by using civilians in certain military positions and by reducing or eliminating certain military construction projects.

Findings/ — Findings/Conclusions: GAO concluded that grounds exist
Conclusions to question the Air Force's decision on military positions at three SAC bases and that substantial cost reductions could be reached. Further, GAO believes that planned military construction projects, identified by the Air Force and costing about \$2 million, should be deferred until the question of conversions can be resolved. The Department of Defense's (DOD) longstanding policy has been to use civilians in positions which do not require military personnel. In a joint paper, DOD and the Office of Management and Budget stated that this policy can result in savings. However, GAO believes that the specifics need to be determined on a case-by-case basis. If justified, the process of converting military positions would increase personnel costs over the short term, since the displaced military people would not be released but would be used for other military needs. In the long run, converting military positions to general schedule civilian positions should reduce costs. GAO also believes that the Air Force should defer some of the planned military construction projects because of the potential for reduced need that would result from converting additional military positions to general schedule civilian positions.

Recommendations — Recommendations to Agencies: The Secretary of the Air
to Force should reassess the determinations made on the individual military positions identified at Grand Forks, AFB, McConnell AFB, and Whiteman AFB and similar positions at the remaining six SAC missile bases and determine how many, if any, of these positions should be civilianized. GAO also recommends that the Air Force request approval of additional positions, if they are necessary, and submit to the approving authority the detailed analyses justifying the change.
Agencies
Status: No action initiated: Affected parties intend to act.

The Secretary of the Air Force should defer military construction projects at McConnell AFB and other SAC missile bases until it is determined whether reduced military authorizations due to civilianization will lessen the need for the project.

Status: Recommendation no longer valid/action not intended. — Recommendation Status
The Air Force does not believe that military construction projects at McConnell AFB will be affected by the proposed military reductions. — Non-Action Text

The Secretary of the Air Force should use, when possible and if additional civilianization occurs, the replaced military personnel to counter military critical skill shortages in other areas. If additional civilianization is justified, the annual savings may offset any military personnel retraining expenses, if required.

Status: Recommendation no longer valid/action not intended. *The Air Force says that the recommended civilianization would aggravate existing or create new military wartime skill shortfalls. Since the probability of deployment is very high for skills with shortfalls, the Air Force cannot concur with conversions of the magnitude recommended.*

Agency Comments/Action

Agency Comments/Action

The Air Force agrees with the major thrust of the report. Positions which are not military-essential should be civilian, and ceiling constraints which preclude such civilianization should be removed. While the Air Force disagrees with specific conclusions, it is in concert with the basic recommendation to reassess the military positions at SAC missile bases to determine how many should be civilianized. Given flexibility in its civilian program, the Air Force will implement the recommendation through its regularized civilian/military mix decision process and, when the conversions are accomplished, reassign military personnel to other essential positions.

INTRODUCTION

This report contains abstracts of GAO reports with recommendations open as of October 1, 1982. The status of these recommendations was updated during the last quarter of calendar year 1982.

During 1982 GAO implemented an automated, centrally operated system for the purpose of allowing regular followup on its recommendations. This system allows GAO to ensure that recommendations are periodically tracked, are given consideration by agencies and the Congress, are implemented if appropriate, and are identified and deleted from the system if they are not acted upon for valid reasons. In addition to other data, the system incorporates the status of each report recommendation, GAO comments on the status, and agency or congressional comments and action. The system also relates appropriations and oversight issues for each report to the relevant congressional committees.

In addition to a Table of Contents, this report contains three reference indexes. The Congressional index lists the titles of reports under the congressional appropriations, authorizing, or budget committees to which they are related. The Budget Function Index lists the titles of reports under function categories by which Federal funds are appropriated and identified in the Federal Budget. Finally, the Agency/Organization index lists the titles of reports which deal with that particular department, agency, bureau, or organization. The indexes also include page numbers where the reader may find summaries of the reports.

Your comments and suggestions on how we may better serve your needs would be greatly appreciated and can be directed to:

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NATIONAL DEFENSE

MAINTENANCE, REPAIR, AND OVERHAUL

The Fleet Modernization Program: Still Room for Improvement (PLRD-82-65, 6-14-82)

Departments of Defense and the Navy

Budget Function: National Defense (050.0)

In response to a congressional request, GAO evaluated the Navy's fleet modernization program.

Findings/Conclusions: The Navy often fails to follow its guidelines concerning the management of its fleet modernization program. As a result, many ship alterations are deferred and data for cost estimates are not available. In addition, the Navy does not always properly order material for the program, resulting in unnecessary procurements. GAO determined that the Navy deferred about 35 percent of its fiscal year 1980 congressionally budgeted alterations. Over half of these occurred because ship overhauls were rescheduled, and the rest were deferred because: funds were needed to perform unscheduled emergency alterations, onhand material was insufficient, and plans and drawings were late. Since program managers frequently did not follow the guidelines, critical milestones were missed, some alterations had to be deferred while still in the planning stage, and data for cost estimates were not always available. GAO believes that the Navy could improve its budget cost estimates if it would use the actual costs for previous alterations to assess the reasonableness of shipyards' cost estimates. The Navy is taking steps to improve the visibility of ship alteration material at the wholesale and shipyard levels. However, more could be done to improve the effectiveness of material management and to reduce material costs.

Recommendations to Agencies: The Secretary of the Navy should institute controls to ensure that program managers follow Naval instructions on alteration development milestones and program only those alterations which can be fully developed to support scheduled installations.

Status: Action in process.

The Secretary of the Navy should direct the Commander of the Naval Sea Systems Command to establish a system of exception reporting for alterations which do not meet development milestones.

Status: Action in process.

The Secretary of the Navy should more strictly enforce the

requirement that both public and private shipyards submit ship departure reports within the required 60 days after overhaul completion.

Status: Action in process.

The Secretary of the Navy should require that budget developers use actual cost information from previously completed alterations when developing alteration cost estimates.

Status: Action in process.

The Secretary of the Navy should direct shipyard commanders to: (1) emphasize the importance of using assigned planned requirement numbers because of the overstated requirements and unnecessary procurements that result; (2) instruct material managers not to order material before alteration plans and drawings are sufficiently developed to define material requirements; and (3) direct material managers to cancel requisitions on the supply system when they initiate commercial procurement actions.

Status: Action in process.

The Secretary of the Navy should direct shipyard managers to provide supply system managers with visibility over shipyard assets and direct the use of these assets to avoid expensive direct delivery procurements.

Status: Action in process.

The Secretary of the Navy should direct shipyard managers to release, for systemwide and immediate use, assets which will not be needed in the near future and which can readily be replaced.

Status: Action in process.

Agency Comments/Action

The Navy generally concurred with the recommendations. Its Section 236 comments indicate that it is currently taking action on some of the recommendations and is planning actions on others.

NATIONAL DEFENSE

MISSION BUDGETING

Defense Budget Increases: How Well Are They Planned and Spent (PLRD-82-62, 4-13-82)

Departments of Defense, the Navy, the Army, and the Air Force

Budget Function: National Defense (050.0)

GAO analyzed the \$72 billion Defense budget increases in fiscal years 1981 and 1982, a 50-percent increase over the 1980 budget year. GAO also reviewed attempts to show how the Department of Defense (DOD) planned to use these funds and how they were spent.

Findings/Conclusions: GAO found that DOD generally followed through on its pledge to emphasize readiness and sustainability and to invest heavily in force modernization. It also increased military pay to recruit and retain critical skills and increased funding to the real property maintenance accounts to improve not only readiness, but also the quality of life for military personnel. However, the Administration had only limited success in eliminating marginal weapons programs to fund higher priority programs at more efficient production rates. Further, increases in operations and maintenance funds could have been spent more prudently. There is also a need for top managers in DOD to maintain visibility over how the funds are used. In the personnel area, DOD is using an across-the-board compensation approach to resolving skill shortage problems, rather than managing skill categories individually and tailoring pay and benefit packages to attract and keep sufficient people. Finally, DOD needs to add an accountability system or feedback loop to its Planning, Program and Budgeting System that would adequately inform top DOD officials and Congress on the progress made on major problems and projects. The major problem areas are: (1) providing more program stability; (2) adding to weapons systems support; (3) using the funds prudently; (4) defining objectives for use of funds; (5) maintaining program visibility; (6) obligating funds received late; (7) overcoming military skill imbalance problems; and (8) accountability over program execution.

Recommendations to Congress: Congress may want to have DOD begin developing comprehensive management-by-skill programs that would provide the services with more flexibility in dealing with skill imbalances in selected areas.

Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of Defense should develop methods and systems that will enable DOD to: (1) identify the results (major accomplishments) to be achieved with each level of increase to the Defense budget and over what timeframes; (2) identify to Congress what has been accomplished to date for any major program or specific appropriation; and (3) provide to Congress, with each budget package, information on accomplishments in

terms of established goals and priorities in each major program and appropriation.

Status: Action in process.

The Secretary of Defense should: (1) follow through on the plan to cut lower priority programs so that higher priority programs can be funded at more efficient production rates; and (2) provide pricing data at various rates of production to Congress, to allow it to consider the impact of additional changes balancing mission needs against available funding.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should, to ensure DOD and Congress that funds are spent prudently on programs to enhance readiness and improve quality of life: (1) monitor programs receiving large funding increases to ensure that additional funding can be absorbed efficiently; (2) direct the military services to establish the optimum level of depot backlog in major equipment categories that will provide for economic work scheduling, require that categories of equipment be identified and prioritized according to their contribution to readiness and sustainability, and require the services to define to Congress what they mean by a zero backlog; and (3) direct the military services to develop guidance and criteria for funding real property maintenance projects that contribute directly to readiness and quality of life.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should: (1) require the military services to adopt a system for monitoring the use of operations and maintenance funds assuring that the funds are applied in the programs intended and that approval for major shifts of funds above an established threshold be justified; (2) require the military services to report to Congress on the execution of major operations and maintenance programs as part of their annual budget presentations; and (3) require the military services to revise their stock fund procedures where necessary to be able to obligate funds for the purposes intended.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

DOD responded to GAO on August 20, 1982. Overall, the response was disappointing. DOD chose to avoid the central theme being addressed and focused on specific details, citing reasons the proposals were unnecessary.

DEPARTMENT OF DEFENSE - MILITARY

ACCOUNTING SYSTEMS

Weaknesses in Accounting for Government-Furnished Materials at Defense Contractors' Plants Lead to Excesses

(FGMSD-80-67, 8-7-80)

Departments of Defense, the Air Force, the Army, and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Department of Defense Appropriation Act, 1980. National Security Act of 1947. Property and Administrative Services Act. P.L. 84-863.

The military services, for the most part, do not account for the estimated billions of dollars in Government-furnished material provided to Department of Defense (DOD) production contractors. Even when the services attempt to account for material, the data is incomplete and inaccurate. This has led to furnishing material to contractors in excess of contract allowances. It is DOD policy to rely almost solely on the contractor's property records to account for and control Government-furnished material. The policy is not effective. GAO undertook a review of this matter because of (1) congressional interest in prior audits of material provided to overhaul, maintenance, and repair contractors, (2) the estimated value of the Government's investment, and (3) GAO responsibility for approval of executive agency accounting systems. GAO principles and standards for executive agency accounting systems require that Government property be under accounting control from the time it is acquired until it is disposed of or consumed.

Findings/Conclusions: Review of four production contractors showed that the lack of accounting controls led to DOD providing or initiating shipments of \$1.3 million in material above contract allowances. This problem was also noted in reports on overhaul and repair contracts. Providing excess material was caused by clerical/arithmetical errors, lack of coordination among procuring activity personnel, and failure to modify contracts to show changes in Government-furnished material authorizations. An effective accounting system would have helped to disclose these errors and identify or prevent excess material from being shipped. In prior reports on weaknesses in accounting for materials furnished to overhaul, maintenance, production, and repair contractors, it was noted that contractors were oversupplied with materials, contractors were given access to DOD supply systems without DOD accounting control over materials obtained, and contractors' property control records were unreliable. The Secretary of Defense should halt the DOD policy of almost total reliance on contractor's property control records and instead establish systems which, together with contractor's records, will provide accounting control over Defense material from receipt to consumption or disposal.

Recommendations to Agencies: The Secretary of Defense should instruct the military services to develop accounting systems that establish a means of determining the quantity and value of Government-furnished material (1) contractu-

ally allowed to contractors, (2) actually provided to contractors, (3) reported as received by contractors, (4) reported as used by contractors, and (5) reported as on hand by contractors. The systems should include adequate accounting for DOD materials that are obtained by production contractors directly from DOD supply systems. They should identify production contracts which have significant amounts of Government-furnished material and determine whether such material is authorized and required. The services should coordinate with GAO during the development of these systems to assure that they will comply with the Comptroller General's principles and standards.

Status: Action in process.

The Secretary of Defense should instruct the military services to coordinate with GAO during the development of the accounting systems to assure they will comply with the Comptroller General's principles and standards.

Status: Action completed.

The Secretary of Defense should instruct the military services to provide developed accounting system data to property administrators so that they have independent data that they can use to pinpoint differences between Government and contractor records. Where differences exist, reconciliations should be made.

Status: Action in process.

The Secretary of Defense should instruct the military services to identify those production contracts which have significant amounts of Government-furnished material and determine whether the Government-furnished material on hand is contractually authorized and required.

Status: Action completed.

Agency Comments/Action

DOD generally agreed with the recommendations. It has assured GAO that DOD accounting systems will exhibit Government-furnished materials data as recommended, but possible full implementation dates are unspecified and could be many years. DOD conducted reviews, as recommended, for excess Government-furnished materials in the hands of production contractors. It reported that almost all of the material on hand was authorized and required by contract. The Defense Audit Service was asked to validate the reviews.

DEPARTMENT OF DEFENSE - MILITARY

ACCOUNTING SYSTEMS

Weak Internal Controls Make Some Navy Activities Vulnerable to Fraud, Waste, and Abuse (AFMD-81-30, 4-3-81)

Department of the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Budget and Accounting Procedures Act of 1950. National Security Act Amendments of 1949. H.R. 350 (97th Cong.). H.R. 1526 (97th Cong.).

GAO reviewed the Naval Sea Systems Command (NAVSEA) including two shipyards and two other activities which provide support services to NAVSEA to determine whether the internal control systems of these activities adequately protect Federal funds and assets from fraud, waste, and abuse.

Findings/Conclusions: GAO found inadequate controls over several functions at NAVSEA, two shipyards, and two activities. Specific weaknesses included: (1) inadequate controls over payroll at the Navy Regional Finance Center (NRFC) and the Norfolk and Charleston shipyards; (2) inadequate controls over blank and negotiable U.S. Government checks at NRFC; (3) poor security over computer facilities and equipment at the Navy Regional Data Automation Center and at the two shipyards; (4) a circumvention of procurement regulations at NAVSEA; (5) insufficient review of payment requests and a lack of necessary checks of automated system disbursements at NRFC; (6) a 7-month, \$8 million backlog of accounts payable at the Charleston shipyard that had not been reconciled to supporting documentation to determine if only legitimate invoices were paid; (7) accounts receivable valued at about \$5.8 million at the Charleston shipyard written off the general ledger from fiscal year 1978 through fiscal year 1979 without adequate justification; and (8) a lack of basic controls at NAVSEA over approving and processing employee travel claims. GAO found that Navy internal controls do not always identify the underlying cause of audit findings and reasons for noncompliance with regulations, too few staff members are assigned to internal auditing and review functions to review all activities at recommended intervals, and internal audit personnel do not participate in automated data processing (ADP) planning. GAO believes that internal controls can be made more effective by strengthening existing laws.

Recommendations to Agencies: The Secretary of the Navy

should direct the Naval Sea Systems Command to implement procedures for: (1) expediting the processing of requests for office equipment; (2) performing internal reviews of contract overhead charges to ensure that only authorized items are charged; (3) reviewing the contract funding documents used in acquiring office equipment to ensure that other charges are proper and are accounted for; and (4) providing specific detailed guidelines on the use of funding documentation.

Status: Action in process.

The Secretary of the Navy should ensure that the Naval Regional Finance Center improves its review of payment requests and automated system edits by thoroughly examining documentation supporting expenditures before making payments, and by ensuring that the more sophisticated computer system being designed requires an adequate number of matching invoice elements to preclude duplicate payments.

Status: No action initiated: Date action planned not known.

The Secretary of the Navy should require the Charleston shipyard to match payments to supporting documentation and to properly classify accounts receivable so that they are collected promptly.

Status: No action initiated: Date action planned not known.

The Secretary of the Navy should direct all installations to assign an ADP security officer, implement a security training program, and restrict access to computer equipment, computer tapes, and system documentation.

Status: No action initiated: Date action planned not known.

The Secretary of the Navy should emphasize to all management levels the significance of good internal controls and the need for managers to make sure that tasks and functions to follow up on audit reports, findings, and recommendations. This office has set up a computerized system to monitor audit reports and recommendations.

DEPARTMENT OF DEFENSE - MILITARY

ACCOUNTING SYSTEMS

Millions Written Off in Former Service Members' Debts--Future Losses Can Be Cut (AFMD-81-64, 7-28-81)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

During fiscal 1977 to 1979, \$67 million owed by former service members was written off by the military services as bad debts, while only 13 percent of the total owed was collected. The collections made by the services were barely more than the costs incurred for processing and collecting the debts.

Findings/Conclusions: The Department of Defense can substantially reduce its annual bad debt losses by making sure that service members' debts are offset against amounts due them at the time they separate from the service, acting more quickly to initiate collection of those debts remaining after separation, and using effective, businesslike collection techniques. GAO found that, when service members separated from the military, disbursing offices frequently did not compute the separating member's final pay in accordance with Defense regulations. Statistics showed that millions of dollars of overpayments were made by disbursing offices when members separated. Defense needs to strengthen controls and provide enough time to ensure that pay records are complete so that debts can be identified and offset against separation pay. Also, GAO believes that disbursing offices and their commanders need to be informed of separation disbursement errors so that corrective action will be taken. Millions of dollars in debts were not being collected because of lengthy delays in initiating collection action on the part of the services. Having all military finance offices formally notify members of their debts upon separation would help the offices initiate collection actions more promptly. Finally, GAO believes that the military services must become more effective and businesslike in their collection actions through increased contact with debtors and the charging of interest on debts not paid promptly.

Recommendations to Agencies: The Secretary of Defense should require the military services to: (1) have disbursing offices issue collection letters to indebted members at the time they separate; and (2) streamline procedures at the centers so that debts not identified by disbursing offices can be determined and collection actions can be quickly initiated. These actions should include expediting accumulation of documentation needed to review the separation cases, and processing debt cases faster through elimination of duplicate reviews.

Status: Action in process.

The Secretary of Defense should have the Army ensure that

collection letters initiated by disbursing offices are properly controlled by the center so that followup action can be taken as necessary.

Status: Action in process.

The Secretary of Defense should require the military services to: (1) arrange for personal interviews with selected debtors where feasible and make telephone contact with debtors when possible; and (2) charge interest on debts that are not paid promptly.

Status: Action in process.

The Secretary of Defense should require the military services to: (1) designate an official at each military personnel separation point who is responsible for certifying on separation processing checklists that a reasonable attempt was made to ensure that all documentation and entries affecting debts and separation pay are included in the separating members' pay records; (2) provide sufficient time to disbursing offices to identify debts and correctly calculate separation pay (a minimum standard time for effectively performing this task should be established); (3) issue instructions to disbursing offices emphasizing the need for correct computation of separation payments and identification of all debts; (4) inform disbursing offices and their commanders of errors made in computing and processing separation payments so corrective action can be taken; and (5) review training programs for disbursing office personnel to ensure that personnel are adequately trained for computing and processing final separation payments.

Status: Action in process.

Agency Comments/Action

DOD substantially concurred with all of the recommendations except for the designation of an official to certify the separation checklist. The GAO followup work has been concentrated on the Army since the problems identified were most significant within the Army. Some actions have been undertaken in an attempt to correct the reported deficiencies. However, limited followup work by the GAO staff at the Army Finance Center indicates that significant problems may still exist. The GAO decision regarding a possible followup review is pending because it is awaiting the results of an Army Audit Agency review expected to address the deficiencies GAO reported.

DEPARTMENT OF DEFENSE - MILITARY

ACCOUNTING SYSTEMS

Review of Pricing of Silver Sold Under the Foreign Military Sales Program (AFMD-82-34, 5-3-82)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Arms Export Control Act. H. Rept. 97-333. DOD Manual 7290.3-M.

GAO was asked to review the Department of Defense's (DOD) pricing of items containing precious metals sold to foreign customers in the foreign military sales program.

Findings/Conclusions: The precious metal most often found in sales items is silver. The problem in pricing items for sale arises when DOD provides silver to contractors as Government-furnished material. The DOD inventory of silver results from a program in which silver is recovered from scrapped items. The cost to recover the silver is far less than its replacement cost, which is the cost that should be used in computing a standard price for the silver. For the transactions reviewed, there were undercharges of over \$2 million because only the recovery cost was being used in price computations. The Army discovered its pricing errors just prior to the GAO audit and the Navy and Air Force were unaware that they were underpricing Government-furnished silver contained in items sold to foreign countries. The deficiencies found may be occurring throughout DOD because procedures for pricing items are standard within each service, and each uses similar accounting and financial management systems. DOD must act to correct the problems for future sales and must make a reasonable effort to recover past undercharges. GAO and military internal audits have issued over 40 reports on DOD failure to bill for all required costs of foreign military sales. DOD corrective action has usually been slow, narrowly confined, and inconsistently implemented. DOD officials have advised GAO that the number of personnel assigned to administer the sales program is constrained by a personnel ceiling. GAO believes

that the personnel assigned to administering the foreign military sales program should be exempt from the ceilings.

Recommendations to Agencies: The Secretary of Defense should establish policies and procedures to identify items with Government-furnished silver sold to foreign countries.

Status: Action in process.

The Secretary of Defense should require that the market value of silver be used in pricing such items.

Status: Action in process.

The Secretary of Defense should direct responsible organizations to make a reasonable effort to recover undercharges on foreign sales resulting from nonrecovery of the replacement cost or market value of silver.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should seek authority from Congress and the Office of Management and Budget to exempt foreign military sales administrative positions from personnel ceilings. In seeking the exemption, the Secretary should provide data on validated administrative staffing needs, the cost of which would be reimbursed by foreign governments.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

DOD concurred with all of the recommendations except exemption of Foreign Military Sales personnel from DOD ceilings.

DEPARTMENT OF DEFENSE - MILITARY

ADMINISTRATIVE CONTROL OF FUNDS

Millions in Stock Funds Mismanaged at Defense Personnel Support Center (AFMD-81-2, 11-21-80)

Departments of Defense and Justice, and Defense Logistics Agency

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66). Supplemental Appropriations Act, 1950 (31 U.S.C. 200). 10 U.S.C. 2208. 18 U.S.C. 1018.

GAO reviewed the inability of the Defense Personnel Support Center (Center) to control hundreds of millions of stock fund dollars because of its ineffective accounting systems. The Center could not accurately determine amounts paid and amounts of unliquidated obligations. In an attempt to correct its records, the Center made financial adjustments during fiscal years 1978 and 1979. However, the validity of most of these adjustments could not be determined because they were not supported by adequate documentation. Even after the adjustments, many of the records were still inaccurate.

Findings/Conclusions: In its review, GAO found that the chaotic condition of the Center's funds control systems and records prevented it from systematically detecting fraudulent contract payments. Additionally, the Center's problems were compounded when erroneous account balances were certified as correct. The balances were certified even though the Center was aware that it had serious funds control problems. In addition, full disclosure was not made in financial statements of either the Center's funds control problems or the large amount of adjustments that were made without adequate supporting documentation. Although the Defense Logistics Agency (DLA) was aware of the Center's problems, it did not require withdrawal or adequate qualification of certification statements. Moreover, DLA certified the Center's accounts as correct despite knowledge of the Center's problems and unsupported adjustments. The Center's funds control problems occurred because its two major commodities are managed under ineffective financial accounting systems. The systems lack adequate controls to assure timely, accurate processing and recording of financial transactions. Further, the Center's operational problems included problems in funds control system procedures, practices, and documentation.

Recommendations to Agencies: The Secretary of Defense should provide an overall plan to the Chairmen of the House and Senate Committees on Appropriations defining

the Defense Personnel Support Center's funds control problems and their causes, specifying corrective actions and milestones for implementing the actions, and specifying the criteria to measure the effectiveness of actions taken.

Status: Action completed.

The Secretary of Defense should direct the Director, DLA, to: (1) establish a project team to develop an overall plan for resolving the Defense Personnel Support Center's funds control problems; (2) closely monitor and submit progress reports on the full implementation of the DLS standard automated materiel management system at the Defense Personnel Support Center to ensure that the milestone dates for the various conversion phases are met; (3) ensure that the Defense Personnel Support Center's financial control account balances are reconciled with supporting records, and that amounts recorded in supporting records are validated before the financial data is incorporated into the standard automated materiel management system; and (5) ensure that the Defense Personnel Support Center's future reports of financial condition are qualified as necessary.

Status: Action in process.

The Secretary of Defense should investigate the fiscal 1978 and 1979 certificates submitted by the Center and DLA to determine if they were made when known to be false, which would be in violation of Federal law. If a violation has occurred, the Justice Department should be informed.

Status: Action completed.

Agency Comments/Action

The agency has taken action to attempt implementation of an ADP system to account for stock funds. The data to be entered into the system were being validated prior to recording. Efforts to generally improve financial management and procedures are underway.

DEPARTMENT OF DEFENSE - MILITARY

AUTOMATIC DATA PROCESSING

Evaluation of the Army's Advanced Field Artillery Tactical Data System (MASAD-81-44, 9-15-81)

Departments of Defense, the Army, and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO was requested to evaluate the progress of the Army's Advanced Field Artillery Tactical Data System (AFATDS) program and the Army's plan for adopting components of the Marine Integrated Fire and Air Support System (MIFASS) for use in the AFATDS program.

Findings/Conclusions: The Army has decided to modularly improve the existing Tactical Fire Direction System to provide for a future field artillery command and control system. Although this approach, in the opinion of GAO, is the proper choice in terms of operational suitability and timeliness, the Army needs to establish a sound basis to assure that the most cost-effective system is being acquired to meet user needs. The Army's plans provide for ample equipment competition. However, software will be developed in-house. MIFASS was rejected as a follow-on system candidate, but a reconfigured MIFASS architecture or components may be usable in AFATDS.

Recommendations to Agencies: The Secretary of Defense should limit Army funding for the Advanced Field Artillery Tactical Data System to those program elements necessary to continue system planning and defining of detailed requirements before any expenditures are made for system

component developments.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Secretary of the Army to prepare a well-documented cost-benefit study of alternate system components which could have applicability to the AFATDS. This study should pay particular attention to the possible use of a reconfigured Marine Integrated Fire and Air Support System in AFATDS.

Status: Action completed.

Agency Comments/Action

The Army agreed with the recommendations regarding cost-benefit analysis on various subsystem components and is in the process of conducting these analyses. It did not, however, fully agree with the recommendation regarding the limitation of funding until system requirements were fully defined. It felt that system requirements were sufficiently defined and that the recommendation would delay its efforts. No action by the Army is anticipated on this point.

DEPARTMENT OF DEFENSE - MILITARY

AUTOMATIC DATA PROCESSING

The World Wide Military Command and Control Information System--Problems In Information Resource Management (MASAD-82-2, 10-19-81)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: DOD Directive 7920.1. DOD Instruction 7920.2. OMB Circular A-109.

GAO was requested to evaluate: (1) the Department of Defense's (DOD) efforts to modernize the World Wide Military Command and Control Information System (WIS), as the World Wide Military Command and Control System automatic data processing program is currently termed; (2) the DOD plan to modernize WIS to determine whether it provided a reasonable and systematic approach to address and resolve known problems associated with WIS; and (3) subsequent modernization efforts, including an analysis of the feasibility of allowing each command the option of developing its own computer configuration for WIS.

Findings/Conclusions: The evaluation of the DOD plan to modernize WIS showed that: (1) the present WIS has a limited capability to provide timely, accurate, and complete information to commanders, particularly during times of crisis; (2) current conditions dictate a need to accelerate the modernization schedule; (3) operational concepts for WIS have been inadequately developed and are so broad, general in nature, and self-evident that they make little or no contribution toward providing a foundation for resolving known problems; (4) too much emphasis is being placed on the selection of a system architecture before defining information requirements; (5) centralized management of the current WIS is necessary but unattainable; and (6) the existing state-of-the-art in computer technology makes it entirely feasible for each command to develop its own computer configuration to support its assigned missions. The DOD subsequent WIS modernization efforts are slow, do not address the fundamental issues, and will not lead to a timely responsive solution to known WIS problems.

Recommendations to Congress: Congress may wish to direct DOD to provide a revised plan to modernize the WWMCCS Information System that incorporates the GAO recommendations with the fiscal year 1983 budget. Consideration should be given to deferring selected items in the fiscal year 1982 budget until the revised plan is accepted by Congress.

Status: Recommendation no longer valid/action not intended. *DOD submitted a revised plan dated July 1982 but it was not sufficiently responsive to the recommendations. Therefore, the recommendation should no longer be tracked.*

Recommendations to Agencies: The Secretary of Defense should redirect the modernization of the WWMCCS Information System by replacing those computer systems having immediate shortfalls with modern upward compatible computers where a comparative cost analysis justifies such

action.

Status: Action in process.

The Secretary of Defense should redirect the modernization of the WWMCCS Information System by completing the detailed information requirements to support command and control decisionmaking.

Status: Action in process.

The Secretary of Defense should redirect the modernization of the WWMCCS Information System by developing an architecture and computer system design that can satisfy detailed information requirements.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should redirect the modernization of WWMCCS Information System by employing proven state-of-the-art computer technology in the WWMCCS Information system design to ensure the development of reliable systems.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should, in developing an architecture and computer system design, employ life-cycle management practices, including life-cycle costing, as presented in DOD Directive 7920.1 Life Cycle Management of Automated Information Systems (October 17, 1978).

Status: Action in process.

The Secretary of Defense should, in developing an architecture and computer system design, follow other sound measurement practices such as establishing measurable system performance and effectiveness goals and objectives, including periodic evaluation, providing cost-effective growth potential, and clearly delineating responsibilities and coupling them with needed authority and control of resources.

Status: Action in process.

The Secretary of Defense should redirect the modernization of the WWMCCS Information System by specifying standard network protocols, terminology, data elements, data formats, and data retrieval techniques for horizontal (between commands) and vertical (command to national military command centers) communications.

Status: Action in process.

The Secretary of Defense should redirect the modernization of the WWMCCS Information System by decentralizing decisionmaking to allow individual WWMCCS sites to develop their own computer systems to meet command needs in compliance with standards.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should redirect the modernization of the WWMCCS Information System by centralizing management and control of resources for the communications network and equipment interconnecting WWMCCS sites to ensure that local command needs do not preempt network operations.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

Initial agency comments from the Under Secretary of Defense were limited and negative regarding specific GAO recommendations. However, DOD did establish a WIS Joint Program Manager as cited in the January 15, 1982, letter to the Comptroller General (OSD Case No. 5689).

DEPARTMENT OF DEFENSE - MILITARY

COMPENSATION

Observations on the Method of Annually Adjusting Military Pay
(FPCD-78-45, 6-2-78)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Department of Defense Appropriation Authorization Act of 1977. 37 U.S.C. 1009. P.L. 89-132. 79 Stat. 545. 79 Stat. 546. 37 U.S.C. 1008(b). P.L. 93-419.

In 1967, the principle of providing automatic adjustments in military pay based on increases in Federal civilian salaries was established. Since that time, automatic increases in military pay have been indexed to the average percentage increase in General Schedule salaries.

Findings/Conclusions: In the military, the automatic adjustment mechanisms result in: (1) understatement of regular military compensation costs in the Department of Defense (DOD) budget; (2) increasing portions of regular military compensation taking the form of tax advantages such as housing, potentially further increasing the visibility of pay to military members; and (3) increasing pay inequalities due to marital status. Portions of regular military compensation are not reflected in the DOD budget, and this absence impedes identification and evaluation of military compensa-

tion costs. Because the forms of military compensation are difficult to identify, members often undervalue their regular military compensation. Regular military salary, considered equivalent to civilian salaries, is greater for members with dependents than for single members of the same grade and length of service.

Recommendations to Congress: The House and Senate Armed Services Committees should initiate action to require that military personnel accounts in the DOD budget and individual service budgets reflect the Federal income tax advantage of regular military compensation. The military base pay and allowances system should be replaced by a salary system.

Status: No action initiated: Date action planned not known.

DEPARTMENT OF DEFENSE - MILITARY

COMPENSATION

The Congress Should Act To Establish Military Compensation Principles (FPCD-79-11, 5-9-79)

Department of Defense and Office of Management and Budget

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: P.L. 89-132. P.L. 90-207. 37 U.S.C. 203. 37 U.S.C. 1008(b). 5 U.S.C. 5301.

The military compensation system costs about \$40 billion a year. No overall guiding policy or principle for compensating military personnel has been established. The private sector is the standard for setting and adjusting Federal civilian pay. In order to attract, retain, and motivate the quality and quantity of military members necessary to maintain the desired level of national security at a minimum cost to the Government, a decision must be reached on the method of implementation for military pay principles. Two alternative approaches have been suggested: comparability and competitiveness. Comparability approaches use wage surveys of other workers as a guide to setting and adjusting pay based on age-earnings profiles and job difficulty. Competitive approaches are based on the principle that compensation should be adequate to attract and retain the desired quantity and quality of personnel, but should not be more than necessary for this purpose.

Findings/Conclusions: Comparability approaches provide stability and security to service members, but lack flexibility to adjust to changing manpower needs. Competitive approaches provide the flexibility necessary to adjust compensation to changing military manpower needs; however, they lack a clearly defined level of stability to assure members that their pay will remain roughly comparable to pay for Federal civilians and private sector employees. A combination of the best qualities of both comparability and competitiveness may be necessary to satisfy the need for stability

and flexibility in the military compensation system. The Department of Defense, the services, and the Office of Management and Budget are subjected to competing pressures which make any future agreement on military pay principles unlikely. A permanent, independent compensation board would be better able to reach an agreement on military pay principles.

Recommendations to Congress: Congress should establish a permanent independent military compensation board and direct the board to evaluate the alternatives, and recommend in legislation to Congress which military pay principles should be established.

Status: No action initiated: Date action planned not known. Congress should eliminate the requirement for quadrennial review of military compensation once the board is established.

Status: No action initiated: Date action planned not known. Congress should establish a permanent independent military compensation board and direct the board to see that pay principles are appropriately implemented.

Status: No action initiated: Date action planned not known. Congress should establish a permanent independent military compensation board and direct the board to continuously monitor and make recommendations for changing the military compensation system consistent with established principles.

Status: No action initiated: Date action planned not known.

DEPARTMENT OF DEFENSE - MILITARY

COMPENSATION

Noncontributory Social Security Wage Credits for Military Service Should Be Eliminated (FPCD-79-57, 8-8-79)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: 42 U.S.C. 429.

Military service was brought under contributing social security coverage in 1957. Both military members and the Department of Defense (DOD), as their employer, pay social security taxes on basic pay.

Findings/Conclusions: Members whose basic pay is less than the social security taxable earnings ceiling are credited with additional covered earnings of up to \$1,200 a year in excess of basic pay. Neither the member nor DOD pays taxes on these credits. The social security trust funds are reimbursed annually from the general fund of the Treasury for additional costs attributable to the noncontributory

credits. GAO reviewed the rationale for providing noncontributory credits for service performed after 1956, examined their effects on current benefits, and estimated unforeseen costs that will result.

Recommendations to Congress: Congress should terminate noncontributory social security wage credits for future military service. This result may be achieved by amending Section 429, title 42, U.S. Code to limit noncontributory credits to service performed before 1980.

Status: No action initiated: Date action planned not known.

DEPARTMENT OF DEFENSE - MILITARY

COMPENSATION

The Cost Effectiveness of an Education Assistance Program (GI Bill) as a Recruiting Incentive Is Unknown
(FPCD-82-12, 1-26-82)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Uniformed Services Pay Act, 1981 (P.L. 97-60), P.L. 96-342, H.R. 1400 (97th Cong.), H. Rept. 97-265.

Congress authorized the Department of Defense (DOD) to conduct the Educational Assistance Test Program to determine whether expanded educational assistance would improve enlisted recruiting levels and, if so, whether one form of the program was more successful than another. GAO reviewed the program to determine whether it provides sufficient information for Congress to determine the answers to those questions.

Findings/Conclusions: GAO believes that congressional action on a new bill which relies on the results of the Educational Assistance Test Program would not be warranted because the test's limited scope did not provide Congress with sufficient information. The severe recruiting problems which the services were experiencing when the bill was introduced have recently improved, reducing the urgency for immediate passage of the bill. All recruitment incentives and management tools influence an individual's decision to enlist; however, the program has provided no clear answers as to the relative cost effectiveness of each option or the relative influence each has on an enlistment decision. It has been suggested that cash bonuses could attract more new recruits, at less cost, than educational assistance. However, a Navy study suggests that educational assistance may cost nearly six times as much as an enlistment bonus program. Several problems were encountered in the implementation of the program: (1) the consistency of notifying qualified applicants of the educational assistance benefits was not assured; (2) the number of occupations covered by the test program varied substantially among the services; and (3) recruiting officials in each service believe that the advertising campaign was insufficient.

Recommendations to Congress: Congress should enact legislation which would authorize selected educational as-

sistance benefits for the period of the test. These benefits could be similar to those provided under the Educational Assistance Test Program.

Status: No action initiated: Date action planned not known.

Congress should enact legislation which would task the Secretary of Defense with (1) conducting the test in a controlled environment; (2) developing an implementation evaluation plan; and (3) to the extent possible, preventing the reoccurrence of the problems encountered in the Educational Assistance Test Program.

Status: No action initiated: Date action planned not known.

Congress should enact legislation which would task the Secretary of Defense with expanding the scope of the bonus test program to measure the relative cost effectiveness of bonuses and other incentives and management prerogatives, including, but not limited to, educational assistance benefits, proficiency pay, increased recruiting resources, and increased advertising.

Status: No action initiated: Date action planned not known.

Congress should not approve a permanent educational assistance program until the Department of Defense has performed a comprehensive test to determine the most cost-effective mix of recruiting incentives needed to attract the necessary quantity and quality of enlistees.

Status: Action in process.

Agency Comments/Action

Although DOD responded March 3, 1982, to the GAO recommendations, it was not required to do so under Section 236 because the recommendations were made to Congress, not to an agency head. Basically, DOD disagreed with the recommendations which GAO made to Congress.

DEPARTMENT OF DEFENSE - MILITARY

FACILITIES MANAGEMENT

DOD Can Increase Revenues Through Better Use of Natural Resources It Holds in Trust (PLRD-82-9, 11-25-81)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority: Endangered Species Act of 1973. Land Policy and Management Act (43 U.S.C. 1701). H. Rept. 95-1398. BOB Circular A-25. 16 U.S.C. 670(a). 16 U.S.C. 670(c). 10 U.S.C. 2667.

Almost 25 million acres of land throughout the United States and its possessions have been set aside for the use of the Department of Defense (DOD). These lands, of which about two-thirds are undeveloped, contain vast natural resources helpful to the Nation's economy and quality of life. To ensure optimal use of its lands and their natural resources, DOD requires all military bases to manage these lands encompassing vast natural resources under the multiple-use principle. This means that bases must exercise a balanced, coordinated management of all resources, applying the best combination of developmental and protective land uses, consistent with the military mission. GAO thus undertook a review of the effectiveness and efficiency of the military bases in managing these lands to determine where revenues can be increased and how the multiple uses of the land can be improved.

Findings/Conclusions: In its review, GAO found that, in fiscal year 1980, military bases managed 2.3 million acres of forest and sold \$12.3 million worth of timber and related products. Although most of the forestry programs were well managed, several forestry plans lacked a system for monitoring program effectiveness, were outdated, and had not been properly reviewed and approved. In addition, inadequate coordination, poor planning, and general management apathy prevented timber sales and the bases' agricultural leasing programs from reaching and maintaining maximum benefits. GAO also found that the bases needed to improve their management of the lands' large areas of scenic wilderness, woodland, and waterways which are rich in wildlife and recreational resources. Although DOD has encouraged its bases to enter cooperative agreements with appropriate State and Federal agencies and to collect hunting and fishing fees to help support the bases' fish and wildlife programs and recreational areas, many bases have not done so and have failed to use available technical expertise when planning and managing these valuable resources. As a result, plans are often inadequate or nonexistent, and military managers can neither gauge program effectiveness nor identify potential recreational areas. GAO believes that, by improving its management practices, DOD could collect an additional \$3 million annually in revenue.

Recommendations to Agencies: The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to maintain updated forestry plans for bases with clearly stated objectives, priorities, and monitoring systems.
Status: Action in process.

The Secretary of Defense should direct the Secretaries of

the Army, Navy, and Air Force to prevent unnecessary restrictions on timber harvesting.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to accelerate timber harvesting wherever possible.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to aggressively pursue the market for forest byproducts as a source of additional income.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to establish procedures to update and improve base soil and water conservation plans.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to establish procedures to develop and implement a system to identify periodically all land available for leasing.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to establish procedures to require the maximum leasing of agricultural land consistent with the military mission.

Status: Action in process.

The Secretary of Defense should determine the feasibility of operating the leasing program similar to the forestry program and seek legislative changes in the program if warranted.

Status: Action completed.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to require military bases to develop and update effective cooperative agreements and management plans for fish and wildlife and outdoor recreation programs.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to assess more equitable user fees, where possible, for hunting and fishing to finance fish and wildlife programs.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to identify all opportunities for public outdoor recreation and implement feasible programs.

Status: Action in process.

Agency Comments/Action

DOD issued a policy memorandum dated March 15, 1982, to direct the efforts and measure the progress of the DOD natural resources program during calendar year 1982. DOD stated the priority effort is to update and strengthen its programs so that each one becomes more self-sustaining and produces more revenues. It also proposed legislation as recommended by GAO.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Increased Standardization Would Reduce Costs of Ground Support Equipment for Military Aircraft (LCD-80-30, 2-7-80)

Departments of Defense, the Navy, and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Military aircraft ground support equipment was reviewed to determine whether more commonality of support equipment was feasible and whether earlier planning during the aircraft design phase could reduce the number and kinds of this equipment entering military inventories. Each new aircraft developed for the military services results in the development of thousands of ground support equipment items, much of which performs the same function as equipment already in service.

Findings/Conclusions: Substantial cost savings could be realized in research and development, procurement, and logistics if ground support equipment could service more than one type of aircraft. The Department of Defense (DOD) has no organization responsible for issuing policy and guidance to the services on managing and standardizing support equipment or coordinating its development. Most support equipment research and development is geared to meeting program schedules and performance requirements for one type of aircraft. Currently, data systems contain inaccurate or outdated information on the description, reliability, capability, and application of items already in military inventories. Some data sources do not include large quantities of support equipment available in Air Force and Navy inventories; others include a wide range of equipment items, but do not list all their characteristics. Thus, no single source gives decisionmakers all the information needed to decide whether inventories already have similar equipment. Service officials believe that the large volume of items recommended by contractors at one time, insufficient staff to review them, and the complexity of the review and approval process all contribute to hasty reviews. According to service officials, the greatest drawback to more standardization is the procurement regulation requirement that procurements be competitive whenever possible. Because the services use performance standards instead of design specifications, subsequent procurements may contain items having different subsystems and components than the original.

Recommendations to Agencies: The Secretary of Defense should vigorously pursue a policy for support equipment standardization.

Status: Action in process.

The Secretary of Defense should require that the services implement a system of incentives to make standardization desirable to both contractors and the Government.

Status: Action in process.

The Secretary of Defense should establish a focal point in the Office of the Secretary of Defense to guide and direct the services in carrying out the policy and detailed plans.

Status: Action in process.

The Secretary of Defense should require the services to systematically examine what it takes to service an aircraft on the ground and what avionics systems need testing. Once this has been determined, standard equipment could be used or designed to service and test the variety of aircraft currently in the inventory.

Status: Action in process.

The Secretary of Defense should develop a general planning strategy for support equipment that not only identifies acquisition problems and areas for increased management attention but also takes advantage of opportunities to promote standardization and reduce the number of different support equipment items.

Status: Action in process.

The Secretary of Defense should monitor the services' planned use of standard support equipment items to ensure that they have participated in the equipment's design and development stages.

Status: Action in process.

The Secretary of Defense should evaluate the capabilities of the various support equipment data system(s) can most promptly provide the cost complete, up-to-date, accurate, and readily accessible information.

Status: Action in process.

The Secretary of Defense should require the services to assess, during aircraft design, whether support equipment needs can be satisfied: (1) by using the existing supply system without redesigning the aircraft; (2) by altering the design to accommodate an existing piece of equipment; or (3) if new equipment is justified, by evaluating whether it could be used for other aircraft.

Status: Action in process.

The Secretary of Defense should impose tight controls when new items enter the supply system so that their assigned names are recognized by all potential users when screening available data systems and manuals.

Status: Action in process.

The Secretary of Defense should require that Air Force and Navy top management oversee the adequacy of the review process and take an active part in the approval or denial of contractor-recommended items.

Status: Action in process.

The Secretary of Defense should direct support equipment managers to coordinate with weapon program managers and field activities to provide and get feedback to enhance standardization.

Status: Action in process.

The Secretary of Defense should direct the services to include all necessary support equipment items in their data systems. The systems should include data on item descriptions, sizes, shapes, reliabilities, capabilities, and applications. The systems should also designate preferred items that the Government wants contractors to use when they design new equipment.

Status: Action in process.

The Secretary of Defense should develop specific methodology to guide reviewers through the review process so that they can decide realistically whether items are necessary. The methodology should include the requirement to screen existing inventories and justify why existing assets are unacceptable.

Status: Action in process.

The Secretary of Defense should clearly define the review roles and responsibilities of essential organizations and eliminate those activities which provide little or no substantive assistance in deciding the adequacy of recommended items.

Status: Action in process.

The Secretary of Defense should decide whether the time constraint imposed for unusually complex items, such as avionics testing equipment, is appropriate. If not, devise different strategies to ensure that complex equipment can be carefully reviewed and delivered when needed.

Status: Action in process.

The Secretary of Defense should establish an activity to coordinate the efforts of item and system managers, equipment specialists, design engineers, users, and any other group participating in support equipment acquisition. The activity should maintain management visibility over support equipment and assess whether more standard equipment should be developed.

Status: Action in process.

The Secretary of Defense should require the services to coordinate their research and development efforts so that they do not duplicate support equipment items performing similar functions, particularly for aircraft common to both services.

Status: Action in process.

The Secretary of Defense should reinforce the services' cataloging and standardization organizations' role in approving new equipment by requiring their input before such equipment enters the system.

Status: Action in process.

The Secretary of Defense should require the services to use design specifications and multiyear procurements, if authorized by law. The Secretary should provide instructions for the services to use negotiated procurements when competitive means to increase standardization cannot be applied.

Status: Action in process.

The Secretary of Defense should evaluate the support equipment acquisition practices used in the airline industry and determine the extent to which the practices instituted to limit support equipment items and costs and to increase standardization could be used by DOD.

Status: Action in process.

Agency Comments/Action

An ad hoc DOD standardization working group comprised of Defense Material Specification and Standards Office and Joint Logistics Commanders officials was established to address the recommendations in this report. Separate panels were established within the group to address recommendations related to policy, data retrieval, and contract methods/procedures issues. GAO was informed that the panels will consolidate their findings into one report and have it finalized by February 1983.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Logistics Planning for the M1 Tank: Implications for Reduced Readiness and Increased Support Costs (PLRD-81-33, 7-1-81)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Integrated logistics support (ILS) is the approach to weapons systems development which attempts to link development and production to deployment and operation. GAO examined the M1 tank ILS planning and strategies to: (1) identify options for improving the M1 ILS program, (2) determine whether the implementation of current planning strategies will provide adequate logistics support, and (3) evaluate alternative logistics strategies which could more economically provide effective logistics support. The review was undertaken in response to growing congressional concern over the support costs for weapon systems which have been drastically increasing while recently fielded systems are not achieving required operational readiness.

Findings/Conclusions: ILS has not been adequate or timely for the M1 tank program. Although recent planning efforts have improved, many supportability questions remain and opportunities exist to reduce M1 support costs. M1 program emphasis has been on achieving established design-to-cost objectives and fielding a tank within a 7-year development cycle. As a consequence of this program momentum, there was little early emphasis on logistical support and life-cycle cost issues. The ongoing DOD operational and developmental M1 testing is supposed to provide the data needed to answer questions on operational supportability. However, GAO believes that emerging results from current testing raise serious doubts that the M1 will be proven supportable before full production and fielding decisions are made. GAO is concerned that the past momentum of the M1 program will push the program forward even though many supportability issues remain. DOD believes that the M1 is supportable and that the current testing will provide adequate supportability information on which to base a sound full production and fielding decision in September 1981. GAO believes that improvements can be made in evaluating test data to measure supportability better and to provide better data on which to base upcoming production and fielding decisions. Also, information on the M1 supportability and the potential that insufficient data will be available to support the upcoming M1 program decisions should be made available to Congress.

Recommendations to Agencies: The Secretary of Defense should support the life-cycle cost reduction programs during future program and budget reviews.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the various DOD components to implement effective life-cycle cost reduction programs.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should require the Secretary of

the Army to expedite the development of in-house depot level capability for the M1.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to conform M1 technical manuals to the skill performance aid standards and adequately validate them before fielding.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Army to reevaluate the number of training tanks used in the M60 program and projected for the M1 program or reallocate them to operational needs.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to increase support for the testing and evaluation of M1 test sets and technical manuals to develop them sufficiently to support maintenance activities in the field.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Army to determine if M1 training devices can be used more effectively by, for example, using them more than 40 hours a week and/or consolidating them in nearby areas.

Status: Action in process.

The Secretary of Defense should increase support for the M1 reliability and maintainability improvement programs, recognizing the potential to increase operational readiness and decrease future operational support costs through implementation of an effective life-cycle cost reduction program.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to quantify and evaluate the potential impact, in terms of increased support costs, retrofit costs, reduced operational readiness capability, etc., of producing and fielding the M1 with currently demonstrated levels of reliability, availability, maintainability, and durability.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to conform M1 test sets and manuals with M1 hardware configurations and develop maximum tank standardization to mitigate the support problems inherent in multiple M1 configurations.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to implement M1 equipment design and logistics support alternatives, which could support readiness goals and reduce life-cycle costs. Evaluation of alternatives should include wiring harnesses, alternators, and other

items discussed in this report.

Status: Action in process.

The Secretary of Defense should quantify (in terms of increased maintenance costs and reduced operational readiness) the effects of fielding the M1 system at its current level of maturity or delaying the program.

Status: Recommendation no longer valid/action not intended. *The M1 has already been fielded; events have overtaken this recommendation.*

The Secretary of Defense should provide information to key congressional committees on the M1's logistics burden.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should require the Secretary of the Army to provide sufficient program resources, including a prototype vehicle, if needed, and direct increased management attention to the development of technical manuals and test equipment during prototype development in future programs.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to make a configuration audit to identify incompatibilities between spares and tank production components and ensure that overhaul, retrofit, or other appropriate actions are taken, as needed, to provide conformance.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to establish additional criteria (at the system and subsystem levels) for evaluating tests that place greater emphasis on operational effectiveness measures and assessment of future support costs. This criteria should include goals and thresholds for logistics burden and operational availability.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should require the Secretary of the Army to reevaluate current M1 program plans for increasing production capacity, monthly tank production goals, deployment to Europe, and acquisition of long lead production items and spare parts, considering the current level of design maturity of the tank and its support system, tank production, quality control problems, and other factors.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to direct that maintenance planning in future development programs be adequately done to minimize design-dictated maintenance, to ensure cost-effective field repair capability, and to provide timely transition from contractor depot support to in-house capability.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should require the Secretary of the Army to increase support for the development, testing, and evaluation of M1 maintenance capability at all levels to identify deficiencies in the tank hardware or its support system which will result in increased maintenance cost or decreased operational readiness and initiate corrective action as required.

Status: Action in process.

The Secretary of Defense should require the Secretary of

the Army to validate test set requirements to ensure that (1) sufficient numbers of units will be available to support initial deployment without adversely affecting training and testing; and (2) long-term test set requirements are based on realistic factors (maintenance, staff-hours, etc.) and sufficient test sets will be available to provide operational readiness.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should require the Secretary of the Army to implement alternative procurement strategies, including phased provisioning, to ensure that future spare and repair parts are procured using the most cost-effective methods, consistent with the level of maturity of the tank and required technical data.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to update M1 technical documentation to the most recent production tank configuration, making appropriate adjustments in documentation to reflect configuration deviations, and direct that changes to technical documentation, reflecting future tank modifications, are processed promptly.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to reevaluate M1 requirements for spare and repair parts and proposed delivery schedules based on a realistic assessment of current program data. The reevaluation should determine that sufficient, but not excessive, parts are provisioned in view of such factors as design maturity, the maintenance plan, failure rates of parts, and tank production schedules.

Status: Action in process.

Agency Comments/Action

DOD concurred with the findings and stated that numerous steps are being taken to resolve or minimize the impact of the problems discussed. Because of the major deficiencies identified in the Army's ILS strategies, the organizational structure of DARCOM and DS DCSLOG have been modified to create focal points for ILS policy and management. ILS planning is achieving increased emphasis in ongoing Army systems development activities. The Army has undertaken

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Logistics Concerns Over Navy's Guided Missile Frigate FFG-7 Class (PLRD-81-34, 7-7-81)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO evaluated the integrated logistics support planning for the Navy's guided missile FFG-7, a new class of ocean escort ships designed to operate in areas of low enemy threat.

Findings/Conclusions: Integrated logistics support planning for the FFG-7's was designed to reduce the number of shipboard personnel needed and to increase ship availability. To achieve these objectives, several new approaches to logistics support were developed. The planning process for developing these strategies has been comprehensive. However, it could have been improved by keeping logistics plans up to date, estimating costs of logistics support strategies, and applying analytical approaches to developing logistics support requirements earlier in the acquisition process. The FFG-7 maintenance plan is centered around a new approach called progressive overhaul, which relies heavily on the removal and replacement of certain equipment at predetermined intervals and short and intensive periodic maintenance actions. The plan's success is strongly dependent on the effective implementation of various logistics strategies. Potential obstacles which threaten the success of the FFG-7 class strategies include: lack of skilled personnel aboard the ships and at maintenance facilities, the inability to accurately forecast material requirements for planned maintenance actions, and the need for a timely and accurate system for accomplishing and monitoring the maintenance plan. The Navy needs to determine whether the use of reliability centered maintenance can reduce intermediate and depot maintenance costs. GAO found that inventory being stocked to support intermediate maintenance activities appears to be excessive. The Navy will have difficulty providing properly skilled enlisted personnel to the ships.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Navy to make greater use of reliability centered maintenance if it can reduce maintenance costs for the FFG-7 class ships at the intermediate and depot levels.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Navy to develop specific policies on using reliability centered maintenance in maintenance planning for future ship construction.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Navy to improve the accuracy of the system used to identify planned material requirements for the FFG-7's.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Navy to revalidate FFG-7 class crew requirements after new

logistics support strategies are implemented.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Navy to reassess stockage of the same items in colocated geographic and corrective maintenance stocks to avoid unnecessary duplication.

Status: Recommendation no longer valid/action not intended. *The Navy disagreed with this recommendation. It stated that the additional stock levels are necessary to implement the maintenance strategy. The GAO review will evaluate the effectiveness and efficiency of FFG-7 supply support strategies.*

The Secretary of Defense should direct the Secretary of the Navy to consider the replacement frequency of end equipment in determining FFG-7 class shipboard spare parts allowances.

Status: Recommendation no longer valid/action not intended. *The Navy disagrees with this recommendation and has not taken any action. GAO plans to do a followup review which will allow it to evaluate operational data, which was not available during this review, to quantify the extent of excess of shipboard material.*

The Secretary of Defense should direct the Secretary of the Navy to reconsider previously rejected cost-benefit decisions for ship design and equipment alternatives to reduce crew requirements.

Status: Recommendation no longer valid/action not intended. *The Navy disagreed with the recommendation as it relates to the FFG-7 baseline design. While there were some design alternatives that could have been considered, it felt that it was too late in the acquisition process to initiate changes to the baseline design.*

The Secretary of Defense should direct the Secretary of the Navy to develop an action plan for overcoming shipboard personnel quality shortages on FFG-7 class ships.

Status: Recommendation no longer valid/action not intended. *The Navy disagreed with this recommendation. It stated that personnel shortages are shared equally between ship classes. Because of the FFG-7 maintenance strategy, GAO believes that the shortages will be more severely felt than on other ship classes. The followup review will analyze this issue.*

Agency Comments/Action

The Navy stated that it finds the report factual, comprehensive, and objective. The report is correct in pointing out that cost was not the major consideration in development of the logistic support concepts for this ship class. It correctly cautions that the Navy must closely monitor and evaluate

operational experience and logistics costs for this class and investigate the applicability of other specific concepts which could provide additional economies. In general, DOD shares the concerns expressed and agrees with the recommendations made in the report.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Less Costly Ways To Budget and Provision Spares for New Weapon Systems Should Be Used (PLRD-81-60, 9-9-81)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: DOD Instruction 4140.42.

GAO reviewed the budgeting and provisioning procedures employed by the Army, Navy, and Air Force for spare parts for new weapon systems. GAO initiated the review of spare provisioning for new aircraft and helicopters in response to: (1) congressional concern about the low readiness rates of new aircraft being deployed because of a lack of spare parts; (2) previous GAO reviews which discussed both the excesses and shortages of aircraft spares; and (3) broad congressional interest in reducing the life cycle costs of major weapon systems.

Findings/Conclusions: While funding for the investment spares needed to initially support new aircraft and helicopters being fielded is requested by the weapon system, the majority of investment spares needed to support follow-on buys are consolidated and requested as replenishment spares. This split budgeting for similar items does not give Congress the visibility it should have on total aircraft or helicopter system costs. When the delivery time for a part is long, a contractor can order it in advance so that it will be available for the production line. However, Department of Defense (DOD) policy greatly inhibits the services from advance ordering the same part when it is to be used as a spare. Combined purchasing offers large potential savings from economies of scale, insures that spares are delivered in the same configuration as those on the aircraft to be supported, and improves early support of new systems. The services buy spares based on engineering estimates. However, the underlying reason behind the amount purchased appears to be the amount of money available. While there may have been sound management reasons for the stock levels, the services need to better justify the stock levels to be used. In addition, the services need to comply with DOD policy to minimize the investment cost of initial spares. Advantages of high stock levels, in terms of increased support or possibly reduced costs, should be better justified, recognizing the potential consequences. The services could also reduce the range of spares by using phased provisioning more often, a technique that DOD encourages.

Recommendations to Agencies: The Secretary of Defense should direct the services to use the phased provisioning concept as was recommended by the Defense Audit Service.

Status: Action in process.

The Secretary of Defense should amend the DOD policy on

the use of advanced funding and allow its use for spare parts to take advantage of combined purchases of spare parts with production components.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct that other systems be evaluated for potential use of the combined purchasing concept and request the money needed to use the concept.

Status: Action in process.

The Secretary of Defense should require that the services better justify how their levels of initial provisioning of spares meet DOD policy on minimizing initial investment costs.

Status: Action in process.

The Secretary of Defense should redefine, for budget purposes, initial spares to include all spares needed to field a weapon system and provide a breakdown of the initial spares budget request in more descriptive categories, such as "investment spares" (peacetime and war reserve shown separately) and "spare engines."

Status: Action in process.

The Secretary of Defense should review and revise DOD guidance on using operational demand data to: (1) clarify language that could result in differing interpretations; and (2) require that the services establish demand development periods as early as possible and start using operational demand data after 6 months to adjust requirements computations.

Status: Action in process.

The Secretary of Defense should, in submitting budget requests for major weapon systems, show total spare needs by weapon system.

Status: Action in process.

Agency Comments/Action

DOD commented that the report should help improve the initial spare parts budgeting process and ongoing efforts to increase the visibility of the cost of fielding weapon systems. It generally agreed to act on most of the recommendations except for the one regarding the advanced funding restriction and use of operational demand data. As of December 6, 1982, DOD actions on the other recommendations were still in process.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Potential Reductions in Aircraft Operation and Maintenance Costs by Using Thrust Computing Support Equipment

(PLRD-82-4, 10-27-81)

Departments of Defense, the Navy, and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

In response to a congressional request, GAO evaluated the Department of Defense's efforts to save fuel and reduce maintenance costs on turbine jet engines through thrust and power management and studied the feasibility of using certain equipment which has the capability of measuring the thrust of engines while installed in aircraft.

Findings/Conclusions: The analyses showed that the accurate measurement and setting of thrust for installed jet engines is of vital importance, not only for aircraft readiness and safety, but also for operation and maintenance cost reductions. Although test results indicate that a system is available that can perform such measurements, the services have not been using it. The Air Force has conducted extensive tests of the thrust computing support equipment that will measure thrust for installed J85-5 engines. Although the Air Force has decided to implement the thrust computing system for its J85-5 engines, the system may not be implemented due to a lack of funding. If funds are not made available soon, the system may never be implemented. If this occurs, the Air Force will lose millions of dollars already invested in the program in addition to millions in projected savings. Furthermore, failure to implement the system may reduce aircraft readiness. The Navy has not performed any tests to determine whether its aircraft jet engines might benefit from such a system. According to the contractor, the system can offer similar significant benefits for Navy aircraft engines.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Air Force to ensure that adequate plans are prepared to monitor implementation of the thrust computing support equipment for the J85-5 engines at Laughlin Air Force Base and to verify and evaluate

the benefits of the system.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Air Force to develop a plan to assure that the system will be timely implemented on the J79 engines if the system functions as well as expected on the J85-5 engines.

Status: No action initiated: Affected parties intend to act.

The Secretary of Defense should direct the Secretaries of the Air Force and Navy to coordinate their efforts in evaluating the thrust computing system on variable nozzle afterburning jet aircraft engines. Such an exchange of information will prevent duplication of test and evaluation efforts between the services.

Status: Action in process.

Agency Comments/Action

Action has not been completed, but efforts are being taken to install this system on the T-38 aircraft. The fiscal year 1982 appropriation for the procurement and installation of this system was released to the Air Force around September 1982, according to an Air Force official. Long-lead procurement items are being acquired, and final contract provisions are being reviewed by the Air Force and the contractor. Laughlin AFB is presently developing the test plan, evaluation criteria, and milestones. The Air Force will not develop a plan to implement the system on J-79 engines until benefits are verified through the T-38 test. The Navy does not plan to become actively involved in this program until the Air Force identifies expected cost savings for other engines, because it has only a few J-85 engines.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Mission Item Essentiality: An Important Management Tool for Making More Informed Logistics Decisions
(PLRD-82-25, 1-13-82)

Departments of Defense, the Army, the Air Force, and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

The military services could make more informed logistics decisions in determining peacetime and wartime requirements, allocating resources, and setting repair priorities by ensuring that the more essential items receive increased management attention and funding priorities. GAO previously reported on the need for considering essentiality in determining war reserve requirements and safety levels. In response, the Air Force advised that it had developed a coding system which linked item essentiality to mission essentiality. GAO made this review to determine the extent to which the system had been implemented, what benefits had resulted, and whether the system could be used by the other services.

Findings/Conclusions: The Air Force has taken the lead in developing an essentiality system, and the Department of Defense (DOD) issued a concept paper which generally adopted the Air Force's approach as a suggested model for the other services to follow. Although DOD is the prime mover behind the services developing an essentiality-based logistics system, it has allowed the services to proceed at their own pace and to use their own approach for developing such a system. As a result, the Army has done little to develop an essentiality-based logistics system, and the Navy has approached the system from the user level. The lack of a coordinated approach has resulted in each service approaching the objective from different directions and, based on the slow progress to date, it is questionable if the services will achieve the objective within the near future. GAO believes that a fragmented approach such as this is not like-

ly to result in a uniform item essentiality system that will play a meaningful role in the requirements determination process at the wholesale inventory level.

Recommendations to Agencies: The Secretary of Defense should orchestrate the efforts of the services in developing and implementing an essentiality-based logistics system.

Status: Action in process.

The Secretary of Defense should establish milestones for accomplishment of each of the tasks identified in the concept paper and monitor the services' progress in achieving these milestones.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Air Force to develop essentiality coding criteria which would make the coding system more responsive and would permit the logistics system to better meet user needs.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Air Force to regularly review the relationship between item essentiality and system essentiality to identify and reconcile inconsistencies in these relationships.

Status: Action in process.

Agency Comments/Action

DOD generally agreed with the GAO recommendations and enumerated the actions it planned to take to implement those recommendations.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Aircraft Thrust/Power Management Can Save Defense Fuel, Reduce Engine Maintenance Costs, and Improve Readiness

(PLRD-82-74, 7-29-82)

Departments of Defense, the Air Force, and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Pursuant to a congressional request, GAO evaluated the Department of Defense's (DOD) effort to save fuel and reduce maintenance costs on aircraft engines through thrust/power management.

Findings/Conclusions: DOD does not have a comprehensive, effective aircraft thrust/power management program to save fuel consumption and reduce engine maintenance costs. It has not issued specific policies or guidelines for the services to follow. Likewise, the services themselves do not have effective thrust/power management programs. As a result, effective practices and procedures followed by one service, command, or base may not necessarily be implemented or considered by other activities. Variances within DOD and the services are not being investigated, and the potential exists for incurring greater fuel and maintenance costs. Most ongoing thrust/power management efforts in DOD are related to bomber, tanker, and transport aircraft with little attention being placed on fighter type aircraft.

Recommendations to Agencies: The Secretary of Defense should require the Secretaries of the Air Force and the Navy to more effectively establish criteria, such as gallons or training accomplishments per flight hour, against which to evaluate progress in improving aircraft fuel efficiency. These criteria should be standardized by aircraft type and command, wherever possible, so that effective and meaningful evaluations can be made.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Secretaries of the Air Force and the Navy to report how they plan to analyze and evaluate the use of reduced power by tactical fighter aircraft. These plans should identify the aircraft to be evaluated, the methods to be used in the evaluations, and target dates for completion. The plans should be provided to and monitored by the Secretary of Defense.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Air Force and the Navy to require that all appropriate aircraft, including tactical fighters, use reduced power when cost effective and consistent with safety and mission considerations.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Air Force and the Navy to insure fuel efficient operating and maintenance procedures followed by one service are implemented by the other where applicable.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Secretaries of

the Air Force and the Navy to more effectively monitor efforts by subordinate commands and units, through such methods as review and comparison of local procedures and followup to efficiency studies and suggestions, to identify and implement fuel efficient operating and maintenance procedures where possible.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should issue policy and guidelines identifying the importance of thrust/power management and the positive effects on fuel use and improved engine life which have been achieved by bomber, tanker, and transport aircraft. The Secretary should direct the services to give greater attention to the possible benefits of thrust/power management as a means of saving tactical aircraft fuel and reducing engine maintenance costs.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should require the Secretaries of the Air Force and Navy to more effectively monitor existing fuel consumption data to identify trends, variances, and potential problems.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should maintain oversight of the services' programs to: (1) implement aircraft thrust/power management; (2) ensure effective coordination of information; and (3) implement operating and maintenance procedures where possible.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Air Force and Navy to conduct engineering analyses and flight tests to determine the extent to which fighter aircraft can use reduced power safely and economically.

Status: Action in process.

Agency Comments/Action

The Office of the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) has directed the Air Force and the Navy to reexamine those fighter aircraft where thrust/power management appears feasible and to implement the concept where engineering analyses so indicate. The Air Force and the Navy have not formally identified how they plan to test and implement the concept. GAO was told that some preliminary efforts are underway to identify the aircraft which will be evaluated for the thrust/power management concept. DOD is reluctant to implement thrust/power management as a separate program, but will direct that the concept continue to be emphasized as an integral part of the energy conservation programs.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Improvements Needed In Army's Determination of Manpower Requirements for Support and Administrative Functions

(FPCD-79-32, 5-21-79)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: A.R. 5-4.

Army manpower survey teams make onsite appraisals and recommend the number of people needed for support and administrative functions at Army installations. The recommendations of the survey team are also the basis for the garrison staffing guide, which provides criteria for subsequent surveys. The surveys, although useful for some installation and major command management decisions, are not coordinated with the major manpower activities of planning, programming, and budgeting; of allocating human resources to installations and work centers; and of evaluating manpower use. Consequently, the Army supports its garrison budget by adjusting prior year budgets. However, the Army cannot quantify the effect of not receiving the personnel which survey teams say are needed for garrison work and cannot accurately predict manpower needs.

Findings/Conclusions: In order to improve its justifications for budget requests, the Army needs to overcome various problems. The Army's manpower survey program is not designed to provide input to the budget. Since the survey teams determine garrison needs by organizational element, and the Army budgets by activity, the survey team recommendations cannot be summarized into the activity used for budgeting. Survey team recommendations have exceeded Congressional authorizations; in fiscal year 1978 the shortage was 20 percent. Survey teams and work measurement staff make recommendations without regard to the source of labor, even though garrison labor is funded by four appropriations and can be managed under about nine different programs. Installation commanders have been given a great deal of flexibility in distributing available resources, organizing activities, and using other labor sources, but this decentralized management contributes to a number of problems. Commands have been directed to develop work measurement standards for total programs or missions, but

the Army headquarters has not provided the top level management direction on selecting the appropriate technique, how to relate work center requirements to program changes in the budget, how to develop standards to compare similar activities, the extent methods studies should be conducted to improve and standardize operations before setting standards, and collecting reliable labor and workload data.

Recommendations to Agencies: The Secretary of Defense should require the Army to use experienced personnel to design a manpower management system with the following characteristics: (1) an organizational structure that combines the manpower-related responsibilities and staffing into one organization at all levels; (2) a methodology for determining manpower needs based on work measurement where it is feasible and cost effective; (3) a management information system which uses a common data base for work center needs, garrison costs, budget requests, allocations, and evaluations of manpower use; and (4) a determination of the spaces needed to implement the system and an allocation of these manpower resources to the program.

Status: Action in process.

The Secretary of Defense should identify the type of information the Army needs to prepare and support its manpower budget.

Status: Action in process.

Agency Comments/Action

DOD stated that it supports and will implement the basic thrust of the recommendations. The Army is in the process of implementing all of the recommendations although a target date for completion has not been established.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Revising Medical Fitness Policies Could Provide Additional Quality Recruits at Less Cost Than Enlistment Incentives

(FPCD-82-13, 4-7-82)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the entry medical fitness policies of the armed services.

Findings/Conclusions: The services could increase the number of quality recruits by easing their medical fitness standards and by providing treatment for readily correctable medical conditions and physical defects. In fiscal year 1980, 61,000 applicants were disqualified for failure to meet the armed services' entry medical fitness standards. Because recruiters referred them to examining stations for medical examinations, these individuals apparently had no obvious disqualifying medical conditions or physical defects. If the less restrictive medical fitness standards currently used for service in particular skills were applied to entry medical fitness standards, a greater number of quality applicants could be enlisted. The standards are based on the ability to complete basic training, even though basic training represents only 5 percent of a typical 3-year enlistment, and fewer than one-third of the basic training program hours involve physically demanding activities. Relaxing the current maximum and minimum entry weight standards would result in about 1,000 additional quality recruits entering the Army each year. If the Department of Defense (DOD) provided treatment to recruits for readily correctable medical conditions and physical defects, some additional in-service health care costs and time lost from duty could result. However, the costs would be less than the costs of alternative enlistment incentives.

Recommendations to Agencies: The Secretary of Defense should direct the Army, as Executive Agent for DOD-wide

regulations on entry medical fitness standards, to develop and implement on a trial basis: (1) less restrictive entry medical fitness standards for quality applicants; and (2) a corrective medical treatment program for quality recruits who currently would be disqualified from military service for readily correctable medical conditions and physical defects.
Status: No action initiated: Date action planned not known.

The Secretary of Defense should report to Congress, as part of the fiscal year 1984 DOD budget presentation, on the costs and benefits of the two trial programs to increase the number of quality recruits and the desirability of extending the test to the other services. This should include documented data on time lost from duty and health care, using both military and civilian facilities in the event that the Army chooses to contract out medical treatment.

Status: No action initiated: Affected parties intend to act.

Agency Comments/Action

The Assistant Secretary of Defense wrote to the Director of FPCD in reply to the final report. He said that, based on strong objections by the military department, DOD could not concur with the recommendations at this time. However, the official did state that DOD would initiate and complete a study in FY 1983 that would: (1) track individuals to whom selectively lowered standards have been applied under waiver conditions and examine the benefits and costs; and (2) trace the outcomes of individuals in the Marine Corps medical remedial program.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Civilianizing Certain Air Force Positions Could Result in Economies and Better Use of Military Personnel (PLRD-82-75, 8-11-82)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Department of Defense Appropriation Authorization Act, 1975. P.L. 97-39. P.L. 96-342. DOD Directive 1400.5. DOD Directive 1100.9.

GAO discussed how the Air Force could reduce costs at Strategic Air Command (SAC) missile bases by using civilians in certain military positions and by reducing or eliminating certain military construction projects.

Findings/Conclusions: GAO concluded that grounds exist to question the Air Force's decision on military positions at three SAC bases and that substantial cost reductions could be reached. Further, GAO believes that planned military construction projects, identified by the Air Force and costing about \$2 million, should be deferred until the question of conversions can be resolved. The Department of Defense's (DOD) longstanding policy has been to use civilians in positions which do not require military personnel. In a joint paper, DOD and the Office of Management and Budget stated that this policy can result in savings. However, GAO believes that the specifics need to be determined on a case-by-case basis. If justified, the process of converting military positions would increase personnel costs over the short term, since the displaced military people would not be released but would be used for other military needs. In the long run, converting military positions to general schedule civilian positions should reduce costs. GAO also believes that the Air Force should defer some of the planned military construction projects because of the potential for reduced need that would result from converting additional military positions to general schedule civilian positions.

Recommendations to Agencies: The Secretary of the Air Force should reassess the determinations made on the individual military positions identified at Grand Forks, AFB, McConnell AFB, and Whiteman AFB and similar positions at the remaining six SAC missile bases and determine how many, if any, of these positions should be civilianized. GAO also recommends that the Air Force request approval of additional positions, if they are necessary, and submit to the approving authority the detailed analyses justifying the change.

Status: No action initiated: Affected parties intend to act.

The Secretary of the Air Force should defer military construction projects at McConnell AFB and other SAC missile bases until it is determined whether reduced military authorizations due to civilianization will lessen the need for the project.

Status: Recommendation no longer valid/action not intended. *The Air Force does not believe that military construction projects at McConnell AFB will be affected by the proposed military reductions.*

The Secretary of the Air Force should use, when possible and if additional civilianization occurs, the replaced military personnel to counter military critical skill shortages in other areas. If additional civilianization is justified, the annual savings may offset any military personnel retraining expenses, if required.

Status: Recommendation no longer valid/action not intended. *The Air Force says that the recommended civilianization would aggravate existing or create new military war-time skill shortfalls. Since the probability of deployment is very high for skills with shortfalls, the Air Force cannot concur with conversions of the magnitude recommended.*

Agency Comments/Action

The Air Force agrees with the major thrust of the report. Positions which are not military-essential should be civilian, and ceiling constraints which preclude such civilianization should be removed. While the Air Force disagrees with specific conclusions, it is in concert with the basic recommendation to reassess the military positions at SAC missile bases to determine how many should be civilianized. Given flexibility in its civilian program, the Air Force will implement the recommendation through its regularized civilian/military mix decision process and, when the conversions are accomplished, reassign military personnel to other essential positions.

DEPARTMENT OF DEFENSE - MILITARY

MILITARY MANPOWER

Army Needs Better Data To Develop Policies for Sole and Inservice Parents (FPCD-82-50, 9-13-82)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

As a result of congressional concern, GAO conducted a review of military policies for sole and inservice parents and the affect of such parents on the Army's ability to meet its mission. GAO tried to determine whether the Army has a valid basis for making policy decisions regarding sole and inservice parents.

Findings/Conclusions: GAO believes that restricting the enlistment, reenlistment, and assignment of all sole and inservice parents cannot be supported, because the Army lacks reliable data on which to base policy decisions. Some Army definitions of dependents of sole and inservice parents are not clear and do not distinguish between physical custody and legal custody, nor do they specify whether inservice parents include members of the Reserves. A GAO survey of firstline supervisors disclosed that, while the performance of sole and inservice parents differed somewhat when compared to other service members, most parents attended and performed work at least satisfactorily and would most likely be available and punctual in the event of war or a national emergency. Research shows that individuals recruited to replace sole and inservice parents would not be as qualified because the number of 18-year-olds and persons graduating from high school will be declining during the next 20 years. In addition, GAO has determined that the Army's Dependent Care Counseling Program, whose purpose is to ensure the deployability of sole and inservice parents, can be improved.

Recommendations to Agencies: The Secretary of the Army should forego discharging all sole and inservice parents from the Army or assigning them to positions coded as

nondeployable until scientific and objective data supporting these actions are obtained. This data should compare the performance of sole and inservice parents with their peers in the service and individuals who likely would be recruited as replacements.

Status: Action in process.

The Secretary of the Army should develop the data necessary to reconsider the reasonableness of restricting the enlistment of sole and inservice parents.

Status: No action initiated: Date action planned not known.

The Secretary of the Army should clarify the definitions of sole and inservice parents.

Status: No action initiated: Date action planned not known.

The Secretary of the Army should enforce the Dependent Care Counseling Program's regulations and verify data on persons assuming responsibilities for dependents during sole and inservice parents' absences for military reasons.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

The Army said, on August 5, 1982, that it generally disagreed with the conclusions and recommendations and stated that it has no plans to take class action against sole and inservice parents. The Army stated that its policy is and has been to handle the unsatisfactory performance of service members on an individual basis. The Section 236 comments due on November 13, 1982, are still being worked on by DOD.

DEPARTMENT OF DEFENSE - MILITARY

MISSION BUDGETING

Recommended Reductions to Fiscal Year 1983 Ammunition Procurement and Modernization Programs (PLRD-82-92, 8-10-82)

Departments of Defense, the Navy, the Army, and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Pursuant to a congressional request, GAO reviewed the military services' requests for funds to purchase conventional ammunition and to modernize ammunition production facilities.

Findings/Conclusions: GAO primarily reviewed the justifications for items involving large dollar amounts, those being bought for the first time, and those with production or performance problems. Most of the items reviewed were adequately justified; however, GAO concluded that the request for ammunition should be reduced by \$625.1 million, or about 16 percent. These reductions were mostly for newer munitions still in the developmental stage, such as laser-guided projectiles, antiarmor cluster munitions, and area denial artillery munitions. GAO stated that sizable backlogs have accumulated for some of these items because of production and performance problems.

Recommendations to Congress: The House Committee on Appropriations should delete the \$10.7 million request for the antiarmor cluster munition facility.

Status: Action in process.

The House Committee on Appropriations should closely consider the current and future impact of providing full funding for the 155-mm. improved conventional munitions on the ammunition production base.

Status: No action initiated: Date action planned not known.

The House Committee on Appropriations should reduce the Marine Corps' fiscal year 1983 ammunition appropriation request by \$62.7 million for six items shown in appendix III of this report.

Status: Action in process.

The House Committee on Appropriations should consider funding more tactical rounds, instead of the 155-mm. training round, because the training round's cost approximates that of the tactical round.

Status: Action in process.

The House Committee on Appropriations should reduce the Army's request by \$464.3 million dollars as detailed in appendix I of this report.

Status: Action in process.

The House Committee on Appropriations should reduce the Navy's fiscal year 1983 ammunition appropriation request by \$24 million for the seven items detailed in appendix II of this report.

Status: Action in process.

The House Committee on Appropriations should reduce the Air Force's ammunition appropriation request by \$74.1 million for the four items detailed in appendix IV of this report.

Status: Action in process.

The House Committee on Appropriations should defer the \$4.8 million request for the automated grenade loading facilities until prototype equipment is fully developed and tested.

Status: Action in process.

Agency Comments/Action

Although section 236 comments are not required, DOD has indicated that it may comment on the report. The comments have not yet been received.

DEPARTMENT OF DEFENSE - MILITARY

PERSONNEL SUPPORT SERVICES

DOD's Unaccompanied Enlisted Personnel Housing--Better Living Conditions and Reduced Costs Possible (PLRD-82-59, 4-30-82)

Departments of Defense, the Air Force, the Army, and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority: DOD Instruction 4165.47. H. Rept. 96-1097. H. Rept. 97-193.

In view of the large sums of money that the Department of Defense (DOD) is spending on housing its unaccompanied enlisted personnel, GAO evaluated the military services' efforts to provide adequate housing; efforts to control off-base housing costs; computations of personnel housing requirements; and personnel housing modernization policies, procedures, and practices.

Findings/Conclusions: GAO found opportunities for the military services to more efficiently use existing unaccompanied enlisted personnel housing assets, more accurately determine housing deficits, and control modernization costs. GAO believes that DOD can substantially reduce its off-base housing costs, as well as its construction and modernization costs, and at the same time provide better housing to its enlisted personnel. The services have not uniformly adopted or implemented the minimum standards of adequacy for housing and construction criteria which DOD has established. Seven of nine installations GAO visited provided service members accommodations that were below the DOD minimum standards of adequacy. Some installations could have provided adequate facilities through better management and efficient utilization of enlisted personnel housing facilities. These housing costs could be further reduced by requiring installations to use underutilized facilities at other nearby installations and by constructing new facilities before modernizing existing ones. Nine installations which GAO visited overstated deficits in existing housing. GAO believes that four construction projects could either be eliminated or reduced in scope and that the Army and the Air Force are unnecessarily modernizing some facilities.

Recommendations to Agencies: The Secretary of Defense should revise the DOD inventory, occupancy, and utilization reporting requirements so that program managers receive accurate information.

Status: Action in process.

The Secretary of Defense should require the services to implement the reporting requirements in a timely manner.

Status: Action completed.

The Secretary of Defense should redirect the services to uniformly adopt and implement the DOD minimum standards for adequacy of assigning personnel to existing adequate housing. In the case of the Air Force, it would mean lowering the standard for certain personnel to the DOD minimum standards, which would reduce off-base housing costs.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the services to ex-

plore the opportunities to use underutilized, unaccompanied enlisted personnel housing space of other services when appropriate and to cooperate with services seeking to use those assets.

Status: Action in process.

The Secretary of Defense should direct the services to closely review installations' programing of construction and modernization projects to identify and take advantage of opportunities to reduce off-base housing costs.

Status: Action completed.

The Secretary of Defense should redirect the services to discontinue use of unit integrity in making room assignments where such assignments are resulting in underutilized housing and eligible personnel are living off base at additional cost to the Government.

Status: Action completed.

The Secretary of Defense should direct the services to thoroughly review the unaccompanied enlisted personnel housing (UEPH) deficits for currently programed and funded, and/or planned UEPH construction projects and cancel, where economical to do so, unneeded projects, in particular, at Redstone Arsenal, Charleston Naval Station, Norfolk Naval Station, and Norfolk Naval Air Station.

Status: Action in process.

The Secretary of Defense should direct the services to defer programing additional unaccompanied enlisted personnel housing (UEHP) facilities until an accurate UEPH inventory is established.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the services to verify the personnel strengths upon which the unaccompanied enlisted personnel housing requirements are based.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the services to measure the unaccompanied enlisted personnel housing assets based on maximum capacities under the DOD minimum standards of adequacy or new construction criteria as appropriate.

Status: Action in process.

The Secretary of Defense should direct the services to use underutilized space at nearby installations as a means of meeting unaccompanied enlisted personnel housing needs.

Status: Action in process.

The Secretary of Defense should direct the Navy to program unaccompanied enlisted personnel housing projects for only the portion of ships' crews who are not to be

housed in berthing barges during overhauls.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Navy to correct its system for determining unaccompanied enlisted personnel housing requirements by eliminating consideration of personnel living on ships.

Status: Action in process.

The Secretary of Defense should not approve Air Force unaccompanied enlisted personnel housing (UEPH) modernization projects which add private or semiprivate bathrooms to UEPH facilities which already meet the minimum DOD standards of adequacy and modernization criteria.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should require the services to consider the additional off-base housing costs associated with modernization projects.

Status: Action in process.

The Secretary of Defense should limit the unaccompanied enlisted personnel housing modernization projects to those facilities that will meet the DOD minimum standards of adequacy.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

DOD agreed with most of the recommendations and directed the services to take corrective actions. DOD disagreed with recommendations that: (1) the Navy consider berthing barges when computing requirements; (2) DOD not approve Air Force modernization of facilities that already meet DOD minimum standards of adequacy; and (3) DOD limit unaccompanied enlisted personnel housing modernization projects to those facilities that meet DOD minimum standards. Additionally, DOD felt that, since its standards are minimal, the Air Force standards were in compliance.

DEPARTMENT OF DEFENSE - MILITARY

PERSONNEL SUPPORT SERVICES

Military Child Care Programs: Progress Made, More Needed (FPCD-82-30, 6-1-82)

Departments of Defense, the Navy, the Army, the Air Force, and United States Marine Corps

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority: DOD Directive 1330.2. DOD Instruction 7040.4.

GAO reviewed military child care programs, pointing out some potential problems in the quality of the programs and identifying opportunities to reduce child care costs.

Findings/Conclusions: GAO believes that improvements can be made in the military child care program to make sure that the programs offered are provided in safe facilities, that the programs' policies and procedures address the basic needs of children, and that program management is effective. Many child care facilities do not meet fire and safety codes and sanitation standards. Therefore, new facilities and the upgrading of existing ones are needed. User fees, charges, and donations are not sufficient to support renovation and construction of child care facilities. Department of Defense (DOD) procedures require that options be evaluated and documented before requesting funds for new facility construction. Using a servicewide joint building design guide could reduce both the cost and time required for the construction of new facilities. Service regulations allow the caregiver/child ratios to exceed the recommended limits. They do not adequately specify the educational equipment, toys, games, books, and materials that must be provided. In addition, they do not incorporate minimum staff training requirements, nor do they provide sufficient guidance on meal standards and food inspections. The option of using family day-care homes has not been fully utilized. A variable rate structure based on rank or family income could increase the funds available to improve the quality of child care provided.

Recommendations to Agencies: The Secretary of Defense should require the services to periodically verify compliance with DOD standards.

Status: Action in process.

The Secretary of Defense should require the services to determine where appropriated funds are needed to correct unsafe or hazardous conditions.

Status: Action in process.

The Secretary of Defense should require the services to use uniform building design guides for child care facility construction where feasible.

Status: Action in process.

The Secretary of Defense should require the services to use family day care homes, with proper monitoring, as an adjunct to child care centers where feasible.

Status: Action in process.

The Secretary of Defense should require the services to use a variable fee structure, based on rank or total income, which accommodates the financial needs of lower-ranking personnel and hardship cases.

Status: Action in process.

The Secretary of Defense should develop DOD-wide minimum standards for the services' child care programs. These standards should address: (1) total group size; (2) caregiver/child ratios; (3) educational activities; (4) staff training; and (5) food services.

Status: Action completed.

The Secretary of Defense should require the services, when it is not feasible to correct unsafe or hazardous conditions, to document and develop plans to overcome the problems of facilities which should be closed.

Status: Action in process.

The Secretary of Defense should require the services to provide, individually or on a joint basis, training programs for all child care staff. The training programs should make full use of the Ft. Lewis Project manuals and guides.

Status: Action completed.

Agency Comments/Action

DOD agreed with all of the GAO findings and has developed an action plan to implement the eight recommendations in the report. Corrective action is still in process.

DEPARTMENT OF DEFENSE - MILITARY

PREPAREDNESS

DOD's Industrial Preparedness Program Needs National Policy To Effectively Meet Emergency Needs (PLRD-81-22, 5-27-81)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Defense Production Act of 1950. Executive Order 11490.

The Industrial Preparedness Planning Program of the Department of Defense (DOD) was developed to assure that sufficient industrial capacity exists to meet potential wartime needs for defense systems, equipment, and component parts.

Findings/Conclusions: Many organizations, including GAO, have found the program to be ineffective. DOD has reevaluated the program, but no significant improvement has resulted to date. DOD guidance has emphasized programs designed to enhance initial combat capability. Because the program does not significantly contribute to initial combat capability, a low priority has been given to the program. Failure to plan adequately with industry may mean that the ability of the United States to engage in prolonged combat would be jeopardized because no other program exists to bridge the gap between initial combat capability and a lengthy involvement. Two essential elements of the DOD program, item selection and requirements determination, are handled differently by each service and are often not handled well. Industry's participation in the DOD planning program has been voluntary and unfunded for many years. Planning information received from industry sources is incomplete and unreliable. Many industry sources do not identify production enhancement measures as part of their planning because they are not reimbursed for the costs of developing this information. In some cases, planners have discouraged contractors from identifying enhancement measures because of personnel constraints and lack of funds. Lack of management attention to the program may be resulting in lost opportunities to reduce war reserve stockage requirements.

Recommendations to Congress: Congress, in coordination with the executive branch, should establish a clearly defined

and comprehensive national policy regarding industrial preparedness. Hearings should be held to develop this policy. This policy should encompass both the preparedness expectations for the industrial base, as well as what the United States is willing to invest to achieve it.

Status: Action in process.

Recommendations to Agencies: The Secretary of Defense should (1) clearly define the circumstances that the industrial base is expected to be responsive to and the role it will play in each; (2) clearly define the priority and funding availability industrial preparedness planning will have in relation to other DOD and service programs; (3) assure that service industrial preparedness planning efforts are interfaced with other related defense programs to assure continuity of support over the planned period; and (4) assure that service planning efforts are scaled to what can realistically be accomplished within assigned priority and available funds considering either substantially limiting the number of individual items planned or limiting indepth planning to a few vital items while using studies of key industrial sectors to identify potential mobilization problems.

Status: Action in process.

Agency Comments/Action

The agency is working to improve program and resource allocations, and has: included the program in the Defense System Acquisition Review Council process; revised policy guidance to the Armed Services and the Defense Logistics Agency; assigned program responsibilities to system, equipment, and item program managers and revised planning procedures to fully integrate the program into peacetime acquisition efforts.

DEPARTMENT OF DEFENSE - MILITARY

PREPAREDNESS

Will There Be Enough Trained Medical Personnel in Case of War? (HRD-81-67, 6-24-81)

Departments of Defense, the Army, the Air Force, the Navy, and Health and Human Services, Selective Service System, and Federal Emergency Management Agency

Budget Function: Health: Health Care Services (551.0)

Legislative Authority: P.L. 96-342. 42 U.S.C. 215. 42 U.S.C. 217.

The military services medical departments have two missions: (1) to provide peacetime care to eligible beneficiaries, and (2) to maintain readiness to meet wartime contingencies. Pursuant to a congressional request, GAO reviewed the extent to which wartime military medical personnel shortages exist, what was being done or could be done to overcome the shortages, and how well available personnel were trained for wartime missions.

Findings/Conclusions: An analysis of Department of Defense (DOD) data shows that the number and types of medical personnel in the active duty and reserve forces fall far short of the total projected personnel requirements for the current, most demanding wartime scenarios. DOD projections show that shortages of physicians, nurses, and enlisted medical personnel would be most severe, reduce capacity to deliver wartime care, and begin to occur soon after mobilization. Shortages of surgical personnel would be especially critical. Some other enlisted specialty shortages would also be critical because no pretrained pool exists in the civilian sector. To plan effectively for wartime contingencies, DOD planners need data not only on total medical personnel requirements, but also on what portion of those requirements DOD can actually use in its own military hospitals. It has made little progress toward implementing plans and initiatives to increase its capabilities in these personnel shortage areas. DOD medical readiness planning has focused on long-range goals and objectives to address anticipated changes in threat, personnel, and other factors in future years. Federal mobilization planners believe that the civilian sector has enough medical personnel to augment most military mobilization needs. Selective Service System planners have not determined the rate at which medical personnel could be brought into the military if mobilization occurred. Other alternatives are available to DOD in planning to overcome shortages of medical personnel after mobilization.

Recommendations to Agencies: The Secretary of Defense should make prearrangements for interservice assignments.

Status: Action in process.

The Secretary of Defense should obtain advance agreements with civilian medical personnel to fill key hospital shortages.

Status: Action in process.

The Secretary of Defense should make arrangements to use those PHS officers the Secretary of HHS determines could be committed to DOD.

Status: Action in process.

The Secretary of Defense should require the Army to provide needed clinical skills training programs to field personnel on loan to hospitals.

Status: Action in process.

The Secretary of Defense should direct the services to periodically report their requirements estimates to DOD medical mobilization planners for developing overall medical mobilization plans.

Status: Action in process.

The Secretary of Defense should identify and implement specific initiatives to recruit and retain nurses while continuing its initiatives to recruit and retain physicians.

Status: Action in process.

The Secretary of Defense should require the Army to establish firm criteria for the frequency and duration of in-hospital training to be given to field unit personnel.

Status: Action in process.

The Secretary of Defense should direct the services to develop a consistent and systematic method to estimate the rate at which reserve medical personnel can be expected to report for duty after mobilization.

Status: Action in process.

The Secretary of Defense should require the Army to increase in-hospital training programs for field unit personnel located within short distances of military hospitals.

Status: Action in process.

The Secretary of Defense should direct the services to develop consistent estimates of near-term medical personnel requirements based on total needs and needs as constrained by available military facilities. The estimates of constrained personnel requirements should be developed together with complete assessments of the availability of other medical resources, such as hospital beds, equipment, and logistic support.

Status: Action in process.

The Secretary of Defense should develop specific plans to meet the early postmobilization requirements of DOD for (1) surgeons and other surgical personnel in-theater; and (2) medical personnel in military-unique specialties.

Status: Action in process.

The Secretary of Defense should require the Army to structure in-hospital training programs to provide exposure to the full range of needed skills.

Status: Action in process.

The Secretary of Defense should plan for near term contingencies by evaluating alternatives for overcoming post-mobilization medical personnel shortages which would occur before Selective Service inductees report and are trained for military duty.

Status: Action in process.

The Secretary of Defense should require the Army to develop a system for monitoring both clinical and combat related training to insure that they are given a high priority and are effectively accomplished.

Status: Action in process.

The Secretary of Defense should require the Army to provide guidance to unit and hospital commanders giving increased priority to medical readiness training.

Status: Action in process.

The Secretary of Defense should ascertain the extent to which courses, such as the recently developed triservice Combat Casualty Care Course, should be expanded to provide training to medical personnel not now eligible and assure that such training is provided to all appropriate categories of military medical personnel.

Status: Action in process.

The Secretary of Defense and the Director of the Selective Service System should submit a proposal for a postmobilization draft of medical personnel to Congress as soon as possible.

Status: Recommendation no longer valid/action not intended. *This recommendation is virtually identical to another recommendation in this report.*

The Secretary of Defense should evaluate the applicability of the GAO recommendations regarding the Army's medical personnel training programs to the programs of the other services and, where appropriate, assure that the other services take steps to implement them.

Status: Action in process.

The Secretary of Defense and the Director of the Selective Service System should jointly develop provisions to be included in a standby legislative proposal for a postmobilization draft of medical personnel.

Status: Action in process.

The Secretary of HHS should ascertain the extent to which (1) civilian medical personnel will be required and available in the civilian sector during mobilization; and (2) DOD can rely on civilian medical personnel as it plans its mobilization efforts.

Status: Action in process.

Agency Comments/Action

DOD agreed with and supports the report's conclusions and recommendations.

DEPARTMENT OF DEFENSE - MILITARY

PREPAREDNESS

Greater Coordination Required in Defense Planning for Intratheater Airlift Needs (PLRD-81-42, 7-9-81)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Intratheater airlift provides an essential capability to move personnel and materiel quickly within combat theaters and between points which are separated by impassable terrain. Airlift may be categorized as intertheater, common use intratheater, and specialized intratheater. Intertheater airlift involves long-range lift and is managed by the Air Force Military Airlift Command. Intratheater airlift involves shorter distances, and its responsibilities are divided among Air Force and other military service commands. GAO evaluated Department of Defense (DOD) efforts to match intratheater airlift need and capability, dealing primarily with the common use intratheater airlift.

Findings/Conclusions: GAO found that DOD planners still do not have adequate information to plan for wartime needs. Where planners have identified shortfalls, DOD efforts to address the problems have been inadequate. Individual services and unified theater commands determine and set priorities for movement requirements, and the Military Airlift Command determines how these requirements can be met. The Joint Chiefs of Staff sets overall priorities and provides direction to the Military Airlift Command. GAO found that planning for common use intratheater air movement and aircraft requirements varies from extensive to nearly nonexistent. In Europe, the theater command has studied its needs in detail. However, in the Pacific, only fragmentary data were available. The Military Airlift Command has little overall data on intratheater airlift movement requirements. At DOD headquarters levels, priority on strategic needs results in little emphasis on intratheater planning. Variations in planning, coupled with a lack of awareness by commands regarding what other organizations are doing, indicate a need to better coordinate common use intratheater airlift planning. DOD decisions on major airlift proposals have been based on partial data which leave unanswered basic questions regarding movement and aircraft requirements and relative priority of tactical versus strategic needs.

Recommendations to Agencies: The Chairman of the Joint Chiefs of Staff and the Commander in Chief of the Military Airlift Command should improve oversight and coordination of common use intratheater airlift planning, including greater participation by the Military Airlift Command in component and theater command efforts. He should: (1) improve methods to determine movement and aircraft requirements at the theater command levels and relate such requirements to capability; (2) ensure consistent use of the most appropriate intratheater airlift planning methods within the Military Airlift Command, theater commands, and other services; and (3) ensure that mobilization plans more adequately reflect intratheater movement requirements and capability.

Status: Action in process.

Agency Comments/Action

A Department of Defense response dated September 2, 1981, states that the GAO report correctly identifies the problems and shortfalls in this area of Defense planning. A flag-officer conference was held to address the GAO report and resulted in agreement with GAO findings. The conference attendees' specific recommendations correlated closely to those of GAO. Since then, a solid, long-term effort by the Joint Chiefs of Staff and the Armed Services has continued. The Joint Chiefs of Staff formally mandated the inclusion of intratheater airlift requirements in war plans by means of the fiscal year 1983 Joint Strategic Capability Plan. Worldwide action officers' conferences to further address the GAO recommendations were held in February and August 1982. Although the planning effort is necessarily a long-term effort, GAO would be able to close out followup and prepare an accomplishment report following a January 1983 flag officers' conference, which will review progress.

DEPARTMENT OF DEFENSE - MILITARY

PREPAREDNESS

Problems in Implementing the Army's CAPSTONE Program To Provide All Reserve Components With a Wartime Mission

(FPCD-82-59, 9-22-82)

Department of the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

The Army's CAPSTONE Program is designed to align all Army Reserve component units, which include the Army National Guard and Army Reserves, under gaining-commands; these commands will employ Reserve units in wartime and provide detailed information concerning their wartime mission. GAO reviewed the CAPSTONE program to determine whether Reserve components are focusing unit training on their specific wartime mission as it relates to the NATO-Warsaw Pact scenario.

Findings/Conclusions: GAO found that the U.S. Army Forces Command (FORSCOM) is the coordinating authority for the overall implementation of the CAPSTONE organizational structure. CAPSTONE designates for each unit the wartime chain of command, probable wartime mission, and probable area of employment. Aligning the units with other component units is aimed at improving planning and execution as well as identifying training for wartime requirements. Joint training exercises are performed to foster training improvements and complement CAPSTONE. However, progress in implementing CAPSTONE has been slow, and many units still have not been contracted by their gaining-commands. In addition, some units have not received information that could affect the type of training that is conducted. There is no systematic monitoring for assessing progress in implementing CAPSTONE. FORSCOM does not require that units submit implementation status reports and does not know the extent to which Reserve component units are receiving the required training and planning guid-

ance from gaining-commands. For the program to work, officials responsible for implementing CAPSTONE must, at the very least, know what problems are occurring in the program and must take action when the problems are reported. Headquarters, U.S. Army Europe (USAREUR) officials said that CAPSTONE is the single management tool they have to prepare for a smooth transition to wartime operations. It is believed that it will provide a number of benefits for the Reserve components, including improved training programs.

Recommendations to Agencies: The Secretary of the Army should: (1) develop and implement a reporting system that will provide information on the implementation status of CAPSTONE; FORSCOM and USAREUR should use this information to identify implementation problems and to correct them; and (2) systematically monitor the overall implementation progress of the program and discuss its status with congressional oversight hearings and appropriations requests.

Status: Action in process.

Agency Comments/Action

On August 19, 1982, the Army orally agreed with the conclusions and recommendations and said that it will begin institutionalizing a reporting system that will provide current data on the implementation of CAPSTONE. The Section 236 comments due on November 22, 1982, are still being worked on by the Department of Defense.

DEPARTMENT OF DEFENSE - MILITARY

REPORTING SYSTEMS

DOD's Revised Carrier Evaluation and Reporting System May Not Be Needed ***(PLRD-82-70, 5-27-82)***

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

In a prior report, GAO reviewed the Department of Defense's (DOD) Carrier Evaluation and Reporting System (CERS). GAO pointed out problems in the CERS design and operation and recommended several corrective actions. DOD responded promptly and positively and suggested ways to simplify the CERS and to improve its effectiveness. However, because these proposed changes did not satisfy the concerns of certain officials of the moving industry, GAO was requested to evaluate complaints about the revised system.

Findings/Conclusions: Although the revised system is an improvement over the initial one, GAO questioned whether either system is needed. The high cost of processing claims was one of the reasons for initially establishing the CERS, but neither form of the CERS uses actual claims information to evaluate carriers' loss and damage performance, thus keeping DOD from effectively dealing with its major shipment problem. Because neither CERS uses actual claims information, the DOD Military Traffic Management Command cannot determine the total cost of moves and does not know which carriers are providing quality service at the lowest possible cost. In addition, the conditions at local installations do not indicate a need for the CERS. The knowledge and experience of installation transportation officers concerning operations at their particular bases and the effect of competitive rates negate the need for an elaborate evaluation system at the local level. Both reporting systems require that local quality control resources be diverted to

manage the CERS paperwork, while limiting the authority and flexibility of installation transportation officers. Because conditions at each installation are unique, the transportation officers are best able to evaluate and monitor carriers' performance at their particular installation. GAO also found that DOD could monitor nationwide carrier performance, using actual claims information, through its existing Worldwide Household Goods Information System for Traffic Management.

Recommendations to Agencies: The Secretary of Defense should direct the Military Traffic Management Command to refine and use the Worldwide Household Goods Information System for Traffic Management or consider a system based on exception reporting to evaluate carrier performance.

Status: Action in process.

The Secretary of Defense should direct the Military Traffic Management Command to return operational control for local carrier evaluations to the installation transportation officers.

Status: Action in process.

Agency Comments/Action

The Military Traffic Management Command, in coordination with the military services, is reviewing alternative sources of quality control data. The GAO suggestions are being considered.

DEPARTMENT OF DEFENSE - MILITARY

REQUIREMENTS

The Army Should Improve Its Requirements Determination System (PLRD-82-19, 12-1-81)

Department of the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Army's requirements determination system to determine whether the requirements were based on valid data and needs. In view of the Administration's plan to increase Defense spending and the expectation that the services will receive full funding in fiscal year 1982, it is imperative that such funds be applied where they are most needed.

Findings/Conclusions: GAO found that the Missile Command's requirements computations for August 1980 were overstated by approximately \$12.6 million for certain items and understated by about \$400,000 for other items because requirements computations were based on inaccurate delivery, administrative, and production leadtimes. In addition, leadtime requirements were overstated because of the method used to determine requirements for first article testing. The Missile Command overstated its August 1980 requirements because of excessive delivery leadtimes and deviated from prescribed Army procedures for forecasting production leadtimes. Requirements for first article testing were overstated because unnecessary leadtime for items with a first article test requirement were included. The Missile Command used a standard procurement leadtime for one-third of its items in a buy position during August 1980. The standard leadtime was larger than what it would have been if the leadtimes had been based on actual experience. The Missile Command needs to improve its criteria for determining what a representative buy is, redefine its criteria for computing production leadtime, and ensure that its data are valid.

Recommendations to Agencies: The Secretary of the Army should direct the Department of the Army Materiel Development and Readiness Command to use actual historical delivery time in computing leadtime requirements or revise the 30-day standard to something more representative.

Status: Action in process.

The Secretary of the Army should direct the Department of the Army Materiel Development and Readiness command to use the latest available production leadtime be it the last representative buy or the leadtime value in the signed but

undelivered contract as a basis for forecasting leadtime.

Status: Action in process.

The Secretary of the Army should reemphasize to the Department of the Army Materiel Development and Readiness Command the necessity for maintaining an accurate data base to reduce manual adjustments and to make the requirements determination process more reliable.

Status: Action in process.

The Secretary of the Army should direct the Department of the Army Materiel Development and Readiness Command to revise its method for computing leadtime associated with items having a first article test requirement to avoid a doubling of the requirements when in all probability the first article testing will be waived. The need for a uniform method among the services is addressed in the GAO overview report to the Secretary of Defense.

Status: Action completed.

The Secretary of the Army should direct the Department of the Army Materiel Development and Readiness Command to rescind its policy of using standard leadtimes for all items and restrict the Command's temporary use to those instances where it can be shown that the historical data is atypical.

Status: Action completed.

The Secretary of the Army should direct the Department of the Army Materiel Development and Readiness Command to develop definitive criteria as to what constitutes representative procurements. In addition to the exclusions already provided for, the criteria should recognize and consider variations in leadtimes, methods of procurement, and quantities procured.

Status: Action in process.

Agency Comments/Action

The Army generally agreed with each of the GAO recommendations and stated that it was continuing to seek improvement in the requirements determination system.

DEPARTMENT OF DEFENSE - MILITARY

REQUIREMENTS

More Credibility Needed in Air Force Requirements Determination Process (PLRD-82-22, 1-7-82)

Department of the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Air Force requirements computations system for reparable items to determine whether the information was based on accurate data and whether management's treatment of these data were reasonable.

Findings/Conclusions: GAO found that requirements computations for half of those items studied during the buying stage were either understated or overstated leading to unnecessary and costly procurement actions. GAO believes that these problems stem from: (1) a lack of understanding of system operations, concepts, and philosophies; (2) a questionable quality control program; and (3) ineffective supervision. GAO further found that certain requirements determination policies and regulations were unclear. Also, the requirements were often based on inaccurate, incomplete, or out-of-date information.

Recommendations to Agencies: The Secretary of the Air Force should direct the Commander, Air Force Logistics Command, to correct the personnel and system problems which caused the misstated requirements and procurement actions found during the review.

Status: Action completed.

The Secretary of the Air Force should direct the Commander, Air Force Logistics Command, to followup on the programming changes being made to ensure that items transferred between base supply accounts are not coded as issues from the supply system.

Status: Action completed.

The Secretary of the Air Force should direct the Commander, Air Force Logistics Command, to clarify existing instructions to inform item managers where to obtain the data used in completing the asset reconciliation form so

that issues from the system are not duplicated in the various categories.

Status: Action in process.

The Secretary of the Air Force should direct the Commander, Air Force Logistics Command, to reemphasize to item managers the necessity for researching the differences between the stock balances reported by field activities to ensure the accuracy of the asset data used in the requirements computation.

Status: Action in process.

The Secretary of the Air Force should direct the Commander, Air Force Logistics Command, to develop a reporting system which identifies, to the item managers, requirements for the DO-41 items used in mockups so that an appropriate requirement level can be established to adequately support the equipment and to avoid the current situation of using operating stock intended for aircraft and other equipment support. The reporting system should also provide information to the item manager as to when mockup requirements are satisfied so that the manager can reduce the item's requirement and avoid buying items to support nonexistent requirements.

Status: Action in process.

Agency Comments/Action

Although generally agreeing with the GAO recommendations and acknowledging that problems exist, the Air Force stated that there is no evidence that there are serious system and personnel problems with the net bottom line requirements determination process for reparable items.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Navy Material Handling Equipment Costs Can Be Reduced (LCD-80-31, 1-30-80)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Legislative Reorganization Act of 1970.

The Navy has long recognized that material handling equipment (MHE) can increase productivity in operations involving the physical handling of materials. However, because of the high initial investment costs for MHE, as well as repair and maintenance costs, activities should acquire and maintain only that equipment which is actually needed.

Findings/Conclusions: Underutilization of, and excessive allowances for, MHE appear to be widespread throughout the Navy. The basic causes of the excessive MHE are: allowances for MHE have not been updated to reflect current requirements, identified excess MHE has not been disposed of or redistributed, and recommendations made by internal auditors to improve MHE utilization and management have not been carried out. At the five Navy activities reviewed, it was estimated that elimination of unneeded MHE, establishment of reasonable equipment allowances, and efficient use of needed equipment would save \$5.3 million in future replacement costs and would substantially reduce annual maintenance and repair costs. Many Navy installations have excessive quantities of MHE onhand, and as a result: much of the MHE is greatly underused, almost all MHE qualifies for disposal based on age before it has provided the amount of service anticipated when it was bought, Navy activities are incurring millions of dollars to replace and repair unneeded MHE, and imbalances exist in the distribution of MHE among Navy activities with some having excess MHE while others need identical equipment.

Recommendations to Agencies: The Secretary of Defense should emphasize the need for maximum utilization of MHE and direct the Navy to establish realistic usage standards for MHE and, on the basis of these standards, update authorized MHE allowances.

Status: Action completed.

The Secretary of Defense should require commanders of all activities which are authorized to make one component of their activities responsible for control of all MHE and for its

efficient use.

Status: Action completed.

The Secretary of Defense should direct the Navy to establish controls at a high enough management level to ensure all that recommendations made by the Naval Audit Service and concurred in by the affected activities are promptly and effectively carried out.

Status: Action completed.

The Secretary of Defense should direct the Navy to base its 1982 and future years' budget requests for funds to purchase or lease MHE on updated allowances that represent actual need.

Status: Action completed.

The Secretary of Defense should direct the Navy to report on the implementation of these recommendations. The report should include, by activity and by type of equipment, the quantities and dollar value of MHE authorized: under allowances; onhand; under or over allowances; redistributed within the Navy; and transferred to the Defense Property Disposal Service.

Status: Action in process.

The Secretary of Defense should direct the Navy to redistribute within the Navy, or transfer to the Defense Property Disposal Service for reutilization screening or disposal, all equipment that exceeds the updated MHE allowances.

Status: Action completed.

Agency Comments/Action

DOD concurred with the findings and recommendations in this report. The Navy started a 5-year project to review, evaluate, and reduce authorizations for materials handling equipment at its installations and to redistribute excess equipment. The savings during fiscal year 1981 totaled \$17.1 million. Further savings will be realized as the project continues.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

The Army Should Increase Its Efforts To Provide Government-Furnished Material to Contractors (LCD-80-94, 8-11-80)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority: DOD Instruction 4140.41. DARCOM Reg. 700-42.

GAO reviewed operations at the five Army commands which function as inventory control points. Four of the five Army inventory control points are not doing enough to use the material in their long supply inventories as Government-furnished material on major end-item contracts. Often, onhand quantities of secondary items, including parts, components, and assemblies, exceed the estimated amount of material needed to support U.S. and allied forces during peacetime and from the beginning of a war until industry can produce the material at a rate equal to expected wartime usage. This material is classified as being in long supply and, to the extent it does not exceed authorized retention levels, is retained for possible future use. Department of Defense regulations require that this material be screened and furnished, when practicable, as Government-furnished material to contractors for use on major systems and equipment production contracts, thereby reducing the amounts paid to contractors. This should be done whenever substantial net savings are attainable with acceptable risks. Each of the five Army control points are required to implement these procedures and have substantial amounts of long supply material on hand which have potential use as Government-furnished material. Only one control point had instituted a required screening procedure to ensure that material was provided to contractors when practicable. They had devised a computer program for use with each impending end-item procurement, which produces a list of long supply items which are part of the end items to be procured. Contractor representatives inspect and approve the material to avoid the problem of the contractor not being satisfied with the quality or condition of the Government-furnished material.

Findings/Conclusions: Officials, interviewed at the four commands which do not implement a screening procedure for long supply material as required, felt that the current potential for using long supply material as Government-furnished material was limited and the results of such procedures, if implemented, would not justify their efforts. They did not have a computer software program to identify items in long supply which might be used in end item contracts. They felt that the manual performance of this identification process would be too time consuming to be practical and

advanced other reasons for not attempting to institute the screening procedure, all of which GAO found to be unacceptable reasons for not implementing the required procedures. By not screening long supply inventories for possible use as Government-furnished material on production contracts, these control points may be losing the opportunity to achieve significant savings or may lose such opportunities in the future. Such screening has been used by one Army control point with beneficial results. DARCOM officials have not adequately exercised their oversight responsibility to ensure compliance with this policy.

Recommendations to Agencies: The Secretary of the Army should: (1) establish reasonable time frames for DARCOM to develop and implement the procedures; and (2) monitor the progress of DARCOM to avoid further delay.

Status: Action in process.

The Secretary of the Army should direct the Commanding General, DARCOM, to take prompt action to develop procedures to ensure that all Army inventory control points make maximum and economical use of long supply inventories as Government-furnished material on production contracts.

Status: Action completed.

Agency Comments/Action

DOD and the Army agree with the conclusions and recommendations. In response to the recommendations, the Army modified its automated supply system to ensure effective screening and economical utilization of long supply assets. Although a standard system was developed and is available, its use is not mandatory. Use has been left to the discretion of the inventory control points. The Office of the Secretary of Defense's (OSD) review and oversight followup suggests that the Army is not fully committed to an effective Government-furnished material screening process. Failure to actively implement the process leads to unnecessary expenditures. To indicate the degree of concern of OSD, MRA&L has proposed that the Army Stock Fund Obligational Authority be reduced to \$26 million in fiscal year 1983 and \$26 million in fiscal year 1984. A decision on this proposal is expected to be reached by early January 1983.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Logistics Managers Need To Consider Operational Readiness in Setting Safety Level Stocks (PLRD-81-52, 8-10-81)

Departments of Defense, the Navy, the Army, and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: DOD Instruction 4140.39.

GAO reviewed the services' management of safety level stocks to determine whether the extent of the services' activities investment in safety level stocks is a prudent investment and whether other alternatives exist that could serve the same purpose as a safety level.

Findings/Conclusions: Since safety levels serve as insurance against unknown events, every effort should be made to limit such protection to those items essential to mission accomplishment. When determining safety levels, the services do not consider item essentiality in terms of necessity for mission accomplishment. The Air Force has made inroads in this area by establishing an essentiality coding system for identifying and defining wartime versus peacetime needs, setting priorities for repair parts program resources, and determining war reserve material requirements. The objectives of those who manage the inventory may not be compatible with the objectives of those who are responsible for maintaining an operationally ready force. The effectiveness of inventory management activities is based on fill rates, and the effectiveness of users is based on readiness rates. Inventory management activities enhance their effectiveness by ensuring that, within the constraints of available funds, sufficient safety levels of low-cost, high-demand items are available to meet demands. However, GAO found that these are not necessarily the types of items that are the major causes of degraded readiness. As a result, inventory management activities often achieve a high degree of effectiveness at the expense of readiness. More intensive management of stocked items could reduce the services' safety level requirements. While the services have the same safety level objectives they have different philosophies on how to achieve these objectives.

Recommendations to Agencies: The Secretary of Defense

should issue to the service Secretaries policy guidance which: (1) emphasizes the importance of operational readiness as a basis for stockage decisions; and (2) directs that the need for safety levels be related to those demand-based essential items which will increase readiness and not fill rates.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army and Navy to develop an item essentiality coding system which ranks the weapon systems in order of importance to mission accomplishment and relates the essentiality of each support item to the system. The essentiality rankings should then be used to identify those items requiring safety levels and to compute safety level amounts.

Status: Action in process.

The Secretary of Defense should direct the service Secretaries to emphasize intensive management of essential items as an alternative to safety levels.

Status: Recommendation no longer valid/action not intended. *DOD stated that the recommendation alternative was not practical because of the manpower constraints placed on the inventory control points.*

The Secretary of Defense should issue to the services policy guidance which identified the extent that item cost, demand frequency, and fill rate objectives should be considered in determining the safety level amount for essential items.

Status: Action in process.

Agency Comments/Action

DOD agreed with most of the recommendations and has initiated action to correct the deficiencies.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

DOD Can Save Millions by Using Less Expensive Packaging for Small Arms Training Ammunition (PLRD-81-53, 8-18-81)

Departments of Defense, the Air Force, the Army, and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Department of Defense's (DOD) packaging of small arms training ammunition to determine whether such packaging costs could be reduced.

Findings/Conclusions: GAO found that, although DOD policy requires the use of the most cost-effective packaging, small arms training ammunition is bought with material that is not needed and used only occasionally for training purposes. Cost of this ammunition could be reduced by not including equipment such as metal stripper clips, loading adaptors, and bandoliers. While these items are crucial for combat, they are rarely used for training purposes. GAO believes that packaging ammunition without this equipment would permit savings without adversely affecting training. GAO also found that the wirebound wooden crates and metal containers provide training ammunition with packaging designed to last 10 years in outside storage. While combat stocks may require this level of protection, training ammunition does not. Furthermore, the wooden crates used to pack ammunition are treated with PCP, an environmentally hazardous chemical. GAO stated that the use of fiberboard for containers is more economical and would eliminate the health hazard associated with the chemically treated wooden crates. GAO concluded that, by repackaging small arms training ammunition without the combat extras, DOD could save \$33 million.

Recommendations to Agencies: The Secretary of Defense should: (1) instruct the Army to use the available 5.56 mm. training pack; and (2) require the other services to requisition the training pack stock number.

tion the training pack stock number.

Status: Action in process.

The Secretary of Defense should require the Army to have other types of training ammunition packaged in fiberboard containers without bandoliers, stripper clips, and magazine feeders.

Status: Action in process.

Agency Comments/Action

In its Section 236 response, DOD partially concurred with the recommendations. It stated that it will have DARCOM perform a study to determine if: (1) the less expensive packaging will afford adequate protection for the ammunition; and (2) certain costs not addressed by GAO will outweigh projected savings. DARCOM completed the study and said that potential savings (FY 1982-1986) would be less than \$1 million rather than \$33.6 million projected. It also recommended that the decision to convert to a fiberboard pack be delayed until FY 1985 or until the new family of containers is available. The Department of the Army has formulated a proposal; projected savings will be greater than the DARCOM projections. The Army's position is that all blank ammunition and about 75 percent of the live ammunition for CONUS training can be packaged in "less than combat" fiberboard containers. When developed, the outer crate will be weather proof; inner containers will be moisture proof.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Improved Management of Fleet Supplies and Spare Parts Can Save Millions Without Affecting Readiness (PLRD-81-59, 9-11-81)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Navy's supply support to assess actions taken by the Navy in response to earlier GAO reports on shipboard supply management and to evaluate the effectiveness of supply support provided by the Navy's automated surface ships.

Findings/Conclusions: GAO found that the Navy has acted on some of the earlier recommendations and has achieved savings of at least \$89 million. However, the Navy has taken little or no action on other recommendations. Additional opportunities are available for the Navy to save as much as \$94 million over a 5-year period on the procurement of repair parts and supplies by adopting more stringent criteria for submarines and tenders and by the use of automated surface ships. These savings can be accomplished by improving: (1) shipboard management policies and controls to ensure that excess inventories are not retained aboard the ship after supply overhauls and that the Navy adopts a stockage criterion which is standard and will produce the best results in terms of trade-offs among investment, timely filling of requisitions, and stock excessing actions; (2) visibility over shipboard supply by insisting that authorized allowances be adhered to; (3) the process for identifying, redistributing, and offloading excess materials on a timely basis; and (4) the accuracy rate of physical inventories.

Recommendations to Agencies: The Secretary of Defense should direct the Navy to have its fleet commanders discontinue the use of goals for determining excesses on hand and on order and direct that any item that exceeds the authorized allowance is in excess, whether it is on hand or on order.

Status: Action completed.

The Secretary of Defense should direct the Navy to have its fleet commanders monitor excesses and assure that they are offloaded and redistributed or made available to the supply system in a timely manner.

Status: Action completed.

The Secretary of Defense should direct the Navy to have its fleet commanders assure that inventory accuracy rates are improved to the acceptable level of 90 percent.

Status: Action completed.

The Secretary of Defense should direct the Navy to require its submarines and submarine tenders to adopt a more stringent demand frequency criterion to add and retain items for demand-based stock levels; namely, two recurring demands in separate months over a 6-month period to establish, and two recurring demands in separate months every 12 months thereafter to retain.

Status: Action in process.

The Secretary of Defense should direct the Navy to change

its policy so that submarine tenders will limit demand-based increases in stock levels to quantities needed to sustain current operations after considering initial allowance stocks in excess of the 90-day requirement when reevaluated based on current demand experience.

Status: Recommendation no longer valid/action not intended. The Navy did not agree with the recommendation, stating that tender load lists represent a 90-day endurance load and are built to provide 90 days of support without replenishment in a wartime scenario. Therefore, the material should not be used as peacetime stocks. Although GAO rebutted the Navy position, the Navy did not agree with the GAO position. There is no benefit from any further followup.

The Secretary of Defense should direct the Navy to direct submarine tenders to periodically identify all excess on-order stocks and promptly initiate cancellation action.

Status: Action completed.

The Secretary of Defense should direct the Navy to direct the Pacific Fleet to more vigorously emphasize the offloading of unauthorized material and more closely observe current standards.

Status: Action completed.

The Secretary of Defense should direct the Navy to exercise controls aboard carriers to prevent requisitioning of materials and supplies that will put the ships in an excess condition.

Status: Action completed.

The Secretary of Defense should direct the Navy to direct carriers to perform sufficient reorder reviews to permit timely identification and cancellation of those items that are in excess of the ships' needs.

Status: Action completed.

The Secretary of Defense should direct the Navy to direct carriers to exercise controls to prevent ordering Closed Loop Aeronautical Management Program (CLAMP) items that are excess to allowances and to promptly turn in all excess CLAMP items.

Status: Action completed.

Agency Comments/Action

DOD and the Navy agreed with 8 of the 10 recommendations in this report. The Navy advised GAO that its instructions have been revised, where required, and that fleet commanders have been instructed to implement the recommendations. The Navy did not agree with one of the recommendations and, in response to the other, noted that

it would have to study the issue further. The estimated completion date of the study is March 1983. Further followup of this issue is required.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

The Services Should Improve Their Processes for Determining Requirements for Supplies and Spare Parts (PLRD-82-12, 11-30-81)

Departments of Defense, the Navy, the Army, and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: A.R. 710-1.

GAO evaluated the validity of the services' requirements determination processes to ascertain whether beneficial techniques used by one service could be applied by other services to best use resources.

Findings/Conclusions: GAO found little consistency and coordination among the services on the best way to determine requirements. Thus, techniques developed by one service which seem to have merit and offer potential for doing something a better way are not made available to the other services. Consequently, opportunities to refine and improve the requirements determination process are lost. With better supervision and training, the services could make better use of limited resources and thereby enhance equipment availability and avoid investments in stock levels beyond real needs. GAO selected a statistical sample of items in a buy position during a requirements determination at three locations in the three services and tested the validity of the data elements used in the requirements determination processes. GAO found that the computed requirements were often not based on accurate data. As a result, the requirements were overstated or understated by millions of dollars. GAO noted that the problems could be widespread and significant. The misstated requirements were due to inaccurate data in the automated requirements determination systems, incorrect adjustments to the data, and the failure to follow prescribed leadtime forecasting policies and procedures. GAO found a lack of consistency among the services as to leadtime, first article testing requirements, and forecasting techniques. The data in the services' automated requirements determination systems required extensive manual adjustments to update and correct before a buy decision could be made.

Recommendations to Agencies: The Secretary of Defense should issue guidance to the services which specifically states what constitutes the termination of production leadtime.

Status: Action in process.

The Secretary of Defense should issue guidance to the services which specifically states how leadtime requirements for items with a first article testing requirement should be determined.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army and Air Force to develop demand and leadtime forecasting techniques which identify and exclude atypical demand and leadtime data and recognize item trends.

Status: Action in process.

The Secretary of Defense should direct the service Secretaries to emphasize the need for and provide training to personnel responsible for operating and maintaining the requirements system.

Status: Action in process.

The Secretary of Defense should direct the service Secretaries to strengthen the supervision and review process to ensure that the data already in the requirements system and any subsequent adjustments are valid.

Status: Action in process.

The Secretary of Defense should direct the service Secretaries to perform periodic reviews to test the validity of the system data and ensure that the supervision and review processes are strengthened and the responsible personnel obtain a thorough knowledge of the system's operation.

Status: Action in process.

Agency Comments/Action

DOD agreed with each of the major recommendations. It intends to place increased emphasis on personnel training and has initiated a major effort to develop improved, uniform, DOD-wide demand forecasting techniques. DOD plans to develop a specific definition of production leadtime and include it in appropriate DOD policy guidance.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Better Methods for Validating and Reconciling Unfilled Materiel Orders Could Provide Substantial Economies to the Army

(PLRD-82-76, 6-2-82)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: P.L. 96-226. DOD Reg. 4140.17M. A.R. 725-50. A.R. 710-2. Army Technical Manual 38-L22-15-2. Army Technical Manual 38-L03-19.

GAO made this followup review to assess the effectiveness of actions taken by the Army to strengthen its policies, procedures, and practices for periodically validating and reconciling older, outstanding materiel orders.

Findings/Conclusions: GAO found that the Army continues to spend millions of dollars annually on unneeded materiel. GAO estimated that, on the basis of its sampling test, 65,000 invalid orders were on hand at Army wholesale supply sources, and the Army will spend \$100 million over a 3-year period to fill invalid orders to fund inflated forecasted requirements for the related items. Invalid orders revealed to GAO validation checks included orders for parts to repair inoperable equipment which did not exist or had already been repaired, orders for the wrong item, duplicate orders, and orders for materiel for special projects that had been terminated. Additionally, GAO found that the Army procedures and practices for reconciling and validating materiel orders have not been effective in assuring that an acceptable level of compatibility is sustained for related materiel order data shown on supply records kept at wholesale and retail supply levels. Significant imbalances of as much as 53 percent exist between the records of Army wholesalers and their customers relative to either the number of outstanding orders or the quantities on order. The Army problems in reconciling and validating older, outstanding materiel orders continue because prescribed policies and procedures are either inadequate or not being observed and because of inadequacies in automated logistics and systems.

Recommendations to Agencies: The Secretary of Defense should direct the Army to establish and include in all pertinent Army regulations and technical manuals a uniform definition of materiel order validation and detailed guidance for conducting indepth validation checks. The Secretary should also require Army commands to establish and implement at the divisional and nondivisional user levels standard operating procedures for performing materiel order validation checks.

Status: Action in process.

The Secretary of Defense should direct the Army to revise existing and proposed policy and procedures to expand time allowed for materiel validation checks and to restrict such checks to outstanding materiel orders meeting the Department of Defense's age criteria for validation.

Status: Action in process.

The Secretary of Defense should direct the Army to

strengthen existing and proposed procedures and controls by requiring that customer validation responses of continuing need for ordered materiel be subjected to independent sampling accuracy checks and authenticated in writing by a higher command level.

Status: Action completed.

The Secretary of Defense should direct the Army to strengthen provisions of the proposed standard procedures applicable to cancellation of orders repeatedly not validated by customers, by requiring that the customers be notified in writing at the start of a validation cycle that their validation responses will be subject to independent sampling checks and that orders not validated will be canceled.

Status: Action in process.

The Secretary of Defense should direct the Army to establish, as a part of the proposed standard Army validation and reconciliation procedures, an information system which will enable local management and higher command levels to evaluate and monitor the effectiveness of customer performance in validating materiel orders.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Army to strengthen prescribed procedures by requiring that underlying causes of significant materiel order reconciliation discrepancies be investigated and corrected.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Army to revise the automated reconciliation process at the intermediate supply level to restrict quarterly reconciliations with wholesalers to open orders in a backorder status. The Army should also revise the automated process at this level to provide preparation of the appropriate follow-up document to notify wholesalers of action needed to correct open orders at the retail level which are not on record at the wholesale level.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Army to revise the automated reconciliation process at the wholesale level so that intermediate supply activities' requisition follow-up responses to validation requests are accepted and acted on.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Army to revise the automated system at the wholesale level

to send on-line all requisition coded reject documents to intermediate supply levels.

Status: Action in process.

Agency Comments/Action

The Army concurred completely with the report findings and the nine specific recommendations. The Army advised GAO that six of the recommendations would be implemented through extension and revision of the Army's Standard Validation and Reconciliation Procedures. The Army advised that milestone dates for accomplishing these actions would be established at an August 1982 meeting of major Army commanders. The Army advised that the other three recommendations would be implemented by November 1, 1982.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Improvements Needed in DOD System for Controlling Material Shipments to DLA Depots and Customers (PLRD-82-81, 6-10-82)

Department of Defense and Defense Logistics Agency

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Department of Defense's (DOD) practices and procedures for controlling material shipments to Defense Logistics Agency (DLA) depots and shipments from DLA distribution activities and vendors to military customers. GAO was primarily interested in whether: (1) DOD customers were receiving proper shipments of requisitioned material; and (2) the Government received what it paid for when fast payment procedures were used.

Findings/Conclusions: GAO found that policies and procedures followed at some supply centers do not ensure the receipt of materials requisitioned by the military services from DLA and those purchased by DLA from vendors and contractors. This condition has resulted in instances where: (1) the Government was not receiving material for which it had paid and had forfeited its recovery rights; (2) customers were being charged for material they did not receive; and (3) overdue material shipments costing millions of dollars were either written off as inventory losses or remained on the books as items due in for a considerable period of time.

Recommendations to Agencies: The Secretary of Defense should require the Director of DLA to emphasize the impor-

tance of controlling material shipments and ensuring that the Government receives what it pays for by: (1) strengthening processing controls; and (2) following up on reported deficiencies and assessing problem areas.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to emphasize to the DLA military customers the need to consistently follow established procedures for identifying, processing, and reporting shipping discrepancies, including container material shortages and overdue shipments.

Status: Action in process.

Agency Comments/Action

DOD concurred with both of the recommendations. DLA has taken or is planning to take several actions to: (1) strengthen its controls over receipt of material shipments; and (2) improve its material discrepancy reporting/followup system and fast pay procedures.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

The Air Force Needs To Exercise More Control Over Equipment Authorizations (PLRD-82-100, 7-27-82)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Air Force equipment management system to determine whether the Air Force's authorization process ensures that: (1) individual units are efficiently equipped, and (2) requirements used in the service's budget and procurement program are valid.

Findings/Conclusions: The effectiveness of the system is predicated on the establishment of authorizations only for equipment that is within designated allowances and supported by valid needs. The system relies on base supply offices to ensure that these conditions are met before authorization requests are approved. However, GAO found that supply offices are not adequately verifying that approved authorizations are justified. This is attributable, in part, to the shortages of supply personnel who are not only well trained in interpreting allowance tables, but who also have the experience and technical data needed to assess some of the more complex equipment requirements. Other contributing factors include the reluctance of the supply offices to assume the validation role and the fact that all major commands do not adequately ensure that the supply offices actually carry out their assigned tasks. Surveillance to ensure that authorizations are revised as requirements change is a key feature of the system. The Air Force has designed monitoring and feedback functions into the system, but efficiency measures and the failure of key participants to fully carry out assigned responsibilities have curtailed these functions. Cost-reduction efforts have reduced the number of surveys the Air Force performs to monitor equipment requirements. The system also requires that commands in the field provide the feedback needed to keep allowances current. However, the Air Force Logistics Command does not always receive the information it needs to decrease excessive allowances.

Recommendations to Agencies: The Secretary of the Air Force should direct the appropriate commands to provide the oversight needed to assure that the validation role assigned to the supply offices is actually carried out.

Status: Action in process.

The Secretary of the Air Force should direct the appropriate commands to provide the training, expertise, and technical data that base supply offices need to validate equipment authorization requests.

Status: Action in process.

The Secretary of the Air Force should direct the appropriate commands to consider modifying the computer-edit capability to detect authorizations based on inappropriate allowance tables.

Status: Action in process.

The Secretary of the Air Force should direct the major commands to increase onsite monitoring of equipment authorizations. Alternative means of increasing monitoring include surveys conducted by existing command management teams or designating the validation of authorizations as an item to be covered during other types of surveys, such as those conducted by the Air Force Audit Agency and the Inspector General offices.

Status: Action in process.

The Secretary of the Air Force should direct the major commands to ensure that base supply offices promptly revise equipment authorizations when allowances change and that the Air Force Logistics Command receives the feedback needed to keep allowances current.

Status: Action in process.

Agency Comments/Action

Air Force officials advised that initial action has started and that a proposed Section 236 response was submitted for DOD approval. The response is still being coordinated at the DOD level. The initial action includes mandatory equipment management surveys and issuance of further guidance to the Air Force commands. Without an official response, GAO cannot determine if the actions will be affirmed or when action is expected to be completed.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

The Navy Should Improve Its Management of Defective Government-Furnished Materials (PLRD-82-115, 9-2-82)

Department of the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: DOD Directive 4155.1.

GAO reviewed the Navy's practice of providing Government-furnished material (GFM) to contractors for use in the construction, overhaul, and repair of its ships, airplanes, and missiles.

Findings/Conclusions: The Navy spends millions of dollars each year to repair or replace materials which are found to be defective after contractors receive them. However, neither GAO nor the Navy know how much is being spent to replace or repair defective GFM because the reporting systems which the Navy has established to identify these costs are not working. The Navy's failure to identify the magnitude of defective GFM and its associated costs for replacement or repair has precluded management from having the oversight needed to take effective action to correct the problems. The Navy has no central point of control or accountability over defective GFM. Instead, Navy management is fragmented among the various commands which develop their own reporting systems. Such systems are not monitored to assure consistency and needed interface. All of the systems reviewed were experiencing problems with underreporting of defective GFM and the submission of inaccurate data on their quality deficiency reports. The data developed, which indicated vendors who habitually provided defective items, were not being used effectively to encourage those vendors to correct the deficiencies or to avert additional purchasing from the vendors. In addition, the Navy was not taking action to make the vendors financially responsible for the poor quality of products provided as GFM.

Recommendations to Agencies: The Secretary of the Navy should direct the systems commands and other applicable organizations to bring the Navy's quality deficiency reports systems into agreement with Department of Defense Directive 4155.1 and Defense Acquisition Regulations.

Status: Action in process.

The Secretary of the Navy should direct the systems commands and other applicable organizations to develop a system for maintaining overall financial and logistical data that will provide the management visibility needed to identify the nature and magnitude of the problems with defective GFM.

Status: Action in process.

The Secretary of the Navy should direct the systems commands and other applicable organizations to ensure the consistency and compatibility of the various Navy quality deficiency reports systems with each other and with other DOD components.

Status: Action in process.

The Secretary of the Navy should direct the systems commands and other applicable organizations to use the data developed by the quality deficiency reports systems to hold vendors accountable, either by having them take corrective action or by preventing future purchasing from them. Alternative sources should be developed if a sole-source vendor does not improve the quality of its products.

Status: Action in process.

The Secretary of the Navy should establish a focal point within his office to oversee the accomplishment of these recommendations.

Status: Action in process.

Agency Comments/Action

DOD did not meet the 60-day response requirement in Section 236. It did provide GAO with an interim reply on October 29, 1982, stating that the formal reply is being prepared. A GAO inquiry shows that the Navy's revised response is not expected in the Secretary of Defense's Office of Review and Oversight until December 10, 1982.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Use of Shipper Associations Would Reduce DOD's Transportation Costs (PLRD-82-61, 4-6-82)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

To determine whether shipper associations could provide economical freight consolidation and transportation services to the Department of Defense (DOD), GAO visited several shipper associations, met with some of their members, and compared actual less-than-truckload (LTL) motor freight shipment costs to what it would have cost had those shipments been handled by a shipper association.

Findings/Conclusions: DOD could save several million dollars annually by using selected nonprofit shipper associations to transport LTL freight shipments over long distances nationwide. In one comparison involving a small number of freight shipments moved by common carrier from the east coast to California, GAO found that the savings would have averaged 12.8 percent if the freight had been moved by an association. GAO also projected that an 11.6 percent savings would have been achieved for all 1981 cross-country LTL common motor carrier shipments if the freight had been moved by a shipper association. Associations reduce transportation costs for their members, because they operate on a nonprofit basis and they consolidate small shipments into trailer or container loads which move cross-country by rail piggyback and are less costly to handle. Studies indicate that the association's average shipment transit times were reasonable compared to those of common motor carriers. By not using these associations, DOD is depriving itself of an economical source of transportation that is extensively used in the private sector. The associations not only could save the Government money,

but also appear to provide service equal to or better than that provided by commercial carriers. DOD has not used the services of shipper associations because some officials believed that it was illegal to become members of such associations. However, DOD officials appear willing to pursue the use of selected shipper associations, assuming that they could obtain appropriate authorization and guidance.

Recommendations to Agencies: The Secretary of the Department of Defense (DOD) should authorize the Military Traffic Management Command to undertake a DOD-wide program for using selected nonprofit shipper associations to move less-than-truckload freight shipments over long distances nationwide. Such a program should include the development and dissemination of appropriate guidance to DOD transportation officials who would be responsible for working with association officials in implementing the program.

Status: Action in process.

Agency Comments/Action

DOD has taken initiatives to implement the GAO recommendations. Tests involving use of shipper associations commenced April 14, 1982, and are scheduled for completion in December 1982. Based on results of the tests, a determination will be made whether to use shipper associations on a DOD-wide basis.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

DOD Can Save Millions by Using Energy Efficient Centralized Aircraft Support Systems (PLRD-82-64, 5-7-82)

Departments of Defense, the Navy, and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO evaluated the actions taken by the Air Force and the Navy to use standard centralized aircraft support systems in lieu of mobile equipment to provide air and electric power to support aircraft while on the ground.

Findings/Conclusions: The Department of Defense can save millions of dollars annually and can reduce consumption of fuel now being used to operate mobile, ground-support equipment by millions of gallons if new energy-efficient, centralized systems were used at certain Air Force and Navy bases. The Air Force and the Navy have developed and installed several different centralized systems which have realized some degree of success. However, each service has developed its centralized systems independently. Consequently, there is no commonality between the services' systems which could permit economical procurements. Standardization would prevent duplication of design efforts and assure the most economic quantities for buying system components. There are additional benefits in the use of the centralized system which include: the reduction of vehicle traffic on the parking apron, reduced exhaust heat, reduced noise and air pollution, the need for fewer personnel, reduced maintenance time, less chance of engine damage from foreign objects, or of damage to parked aircraft during the moving of mobile equipment. Substantial savings also can be realized by installing the centralized systems concurrently with major airport construction projects. The need for mobile equipment will be reduced as the centralized systems are installed. GAO believes that, with proper planning and realinement of operating procedures, tactical bases can use centralized systems to support most of their daily operations, maintain their mobile equipment, and have trained personnel for deployment.

Recommendations to Agencies: The Secretary of Defense should direct the Secretaries of the Air Force and Navy to develop a plan for installing centralized systems at air bases where they can be used cost effectively without adversely affecting mission capabilities.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Secretaries of the Air Force and Navy to give first priority to installing new energy-efficient, centralized systems in conjunction with major aircraft parking apron renovations and underground refueling systems.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should give the next priority to those bases whose units do not need mobile equipment for deployment, that is, certain Strategic Air Command units and Navy units deployed to aircraft carriers.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Secretaries of the Air Force and Navy to coordinate the development of standard centralized systems and insure that all systems acquired are procured using design specifications based on a standard system or systems.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Secretaries of the Air Force and Navy to combine requirements to assure the most economical quantities for buying system components.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Secretaries of the Air Force and Navy to closely coordinate and monitor these procurements with planned procurements for mobile equipment to assure that appropriate adjustments are made to reduce or delay the latter procurements where applicable.

Status: No action initiated: Date action planned not known.

The Secretary of the Air Force should reevaluate the decision not to install centralized systems at tactical bases. If the Secretary decides that the systems can be used at these bases without adversely affecting the units' deployment missions, first priority should be given to installing the system at those tactical bases undergoing parking apron renovations.

Status: No action initiated: Date action planned not known.

The Secretary of the Air Force should assess the requirement for the new generator set along with other mobile equipment.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

DOD will continue to monitor the services' effort to implement centralized aircraft support systems where cost savings can be achieved without degrading combat readiness or operational effectiveness. DOD agrees that centralized aircraft support systems can provide significant savings in fuel, manpower, and equipment. DOD believes, however, that it will take several years before wider implementation occurs and the full potential of savings can be realized. Moreover, DOD believes that these systems may be impractical for tactical units with deployment commitments and that a new ground generator is still needed to improve fuel efficiency over present units. DOD has not yet asked the services to identify specific actions taken in response to the recommendations.

DEPARTMENT OF DEFENSE - MILITARY

TRAINING

The Army Needs To Improve Individual Soldier Training in Its Units (FPCD-81-29, 3-31-81)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: P.L. 96-226.

In an attempt to reduce training costs and make training programs more specific, the Army has shifted its emphasis from the formal school environment to the operating unit and designated specific tasks to be taught at each level. Most training now takes place in Army units. Because of the growing concern about the training capability of the Army and the need to assess the fundamental policy changes of the training philosophy, GAO conducted a review of Army training. GAO reviewed the Army's individual skill training programs at 15 active units and administered questionnaires to soldiers throughout the Army.

Findings/Conclusions: Army trainers have been provided guidance which specifies what tasks soldiers must know as well as the performance conditions and standards for each task. However, the trainers are not teaching soldiers all tasks the Army considers critical for proper job performance and survival in combat. The Army has announced a series of programs designed to improve individual skill training effectiveness. GAO found that soldiers are not being fully trained because: (1) individual skill training does not receive enough emphasis at the battalion and company levels; (2) unit commanders do not take advantage of all available time to provide individual skill training; (3) aids specifically designed to enhance training are not used as extensively as they should be; (4) there is a shortage of experienced trainers; (5) personnel are constantly being rotated in and out of units; and (6) equipment, ammunition, and other training items often are not available for use in training. The Army should require specific and immediate action to improve unit level programs. The management oversight of training programs needs strengthening and the Army training philosophy should be evaluated.

Recommendations to Agencies: The Secretary of the Army should determine ways existing resources, including NCO's, can be better used to improve training. More specifically, alternative management techniques should be identified to reduce personnel turbulence, consolidate training to make better use of experienced trainers, and more rapidly prepare young NCO's to be effective trainers.

Status: Action in process.

The Secretary of the Army should insure that the Army implements an effective individual skill training program. GAO believes this can best be accomplished by requiring an independent organization to perform periodic assessments of training effectiveness within the Army and encourages the Secretary of the Army to consider using the Army Audit Agency for such assessments.

Status: Action in process.

The Secretary of the Army should emphasize to Army commanders the importance of unit skill training and should require commanders at the battalion level and above ensure that primary trainers: (1) use Soldiers Manual as their program criteria; (2) develop a training plan which provides for training in all Soldiers Manual tasks; (3) maintain job books for the soldiers they supervise so that training needs are documented; (4) use training extension course lessons in their training programs; (5) incorporate individual training into all phases of unit activity and make use of available slack time to provide opportunity training; and (6) use job books, SQT results, and Soldiers Manuals to develop training programs which provide training in those tasks where additional work is needed.

Status: Action in process.

The Secretary of the Army should: (1) take action to see that the Office of the Deputy Chief of Staff for Operations and Plans establishes a more effective Army-wide system to monitor the accomplishment of skill training provided to enlisted personnel; (2) require TRADOC to evaluate fully the current individual skill training doctrine, and (3) require TRADOC to evaluate the effectiveness of the Battalion Training Management System.

Status: Action in process.

Agency Comments/Action

The Army stated that it has initiated programs that directly address weaknesses discussed in the report and that programs continue to be actively pursued.

DEPARTMENT OF DEFENSE - MILITARY

TRAINING

The Army Needs To Reevaluate Its Extended Basic Training Program (FPCD-82-11, 3-3-82)

Department of the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

In October 1981, the Army extended basic training from 7 to 8 weeks for all recruits entering the service to improve recruit performance in basic soldiering tasks. GAO assessed: (1) how the Army developed the program, (2) what the Army has done to assure decisionmakers that program goals could be accomplished in the most effective manner, and (3) whether the Army had the qualified trainers necessary to implement the program fully beginning October 1, 1981.

Findings/Conclusions: The Army has not adequately identified, isolated, or analyzed the cause of performance problems. Therefore, the Army cannot be certain whether additional training time is necessary or whether restructuring the existing program could improve training. To justify the new program, the Army used survey information from operational and training units. However, the survey did not define the causes of training problems and was hampered by technical deficiencies, such as shortcomings in sampling strategy. The Army has yet to demonstrate that the new program is effective. Without such effort, GAO believes that the Army has little assurance about the amount of basic training necessary to field a well trained force. Recent Army efforts to begin collecting data on the benefits of the program raised more concern about program validation, because controlled testing procedures are not being used and the results may not be very useful in evaluating program effectiveness. Historically, the Army has operated its basic training program with less than the authorized number of trainers and has recently relied on using less experienced trainers who may be inadequately trained in the tasks they are assigned to teach. Neither the Army nor GAO knows how well the extended basic training program is providing

soldiers with the skills needed to perform effectively. Although the Army is taking actions to determine program effectiveness and to improve the training of instructors, GAO believes that these efforts will not answer critical questions.

Recommendations to Agencies: The Secretary of the Army should: (1) evaluate the basic training program to determine the most effective and efficient length of training; and (2) resolve trainer quantity and quality problems. Comprehensive plans for accomplishing these actions should include: how to demonstrate the effectiveness of the new program and measure improvements; how to demonstrate the skills and abilities needed for trainers to meet the basic training requirement; specific actions and timetables for providing the qualified trainers; identifying organizational responsibility for program evaluation components; specific resources, personnel and funds, required to accomplish this analysis; and milestones for completing various steps. Priorities should be established to assure continued authorization and assignment of the quantity and quality of trainers needed for basic training. Initial results of these actions should be presented to Congress in its FY 1984 budget.

Status: Action in process.

Agency Comments/Action

The Army agrees that the basic training program had some technical difficulties but is convinced that the decision to expand it was a correct one. The Army says the direction from this point is to look at the entire basic training program in terms of requirements, course content, and length.

DEPARTMENT OF DEFENSE - MILITARY

TRAINING

The Army Needs To Modify Its System for Measuring Individual Soldier Proficiency (FPCD-82-28, 3-30-82)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed whether the Army's Skill Qualification Testing Program measures soldier proficiency and identifies individual training needs.

Findings/Conclusions: The Program is the Army's only diagnostic tool for measuring individual training effectiveness and individual soldier proficiency in critical job tasks. However, GAO found that unit commanders and trainers are not getting the necessary information to assess accurately either skill proficiency or individual training needs because: (1) only a selected number of critical job tasks are tested; (2) the testing is a once-a-year event rather than the culmination of a year-round training program; (3) promotions based on the test results create inequities among soldiers; (4) the test results are not routinely used to measure soldier proficiency or training needs at the unit level; and (5) the test program handicaps rather than improves professional skill development because training is provided primarily for the few skills tested. The program has become hard to administer and each year uses thousands of people to develop, print, distribute, and score the tests at an annual cost of more than \$25 million.

Recommendations to Agencies: The Secretary of the Army should develop and implement, beginning in fiscal year 1983, a more effective system for measuring individual soldier proficiency and training needs. This system should incorporate separate programs for (1) assessing individual training needs, and (2) measuring individual proficiency for promotion decisions. More specifically, the program for assessing individual training needs should be tied directly to the Soldiers Manuals and used as a training tool.

Status: Action in process.

The Secretary of the Army should develop a system in

which the Soldiers Manuals, where feasible, include tests which unit-level trainers can use as often as they wish to evaluate individual proficiency in as many tasks as necessary.

Status: Action in process.

The Secretary of the Army should develop a system in which the assessments of individual training needs remain at the unit level to serve as a diagnostic aid.

Status: Action in process.

The Secretary of the Army should develop a system in which unit trainers are held accountable for using tests contained in Soldiers Manuals.

Status: No action initiated: Date action planned not known.

The Secretary of the Army should develop a system in which any program that measures individual proficiency for use in promotion decisions should apply only to those soldiers eligible for or within the noncommissioned officer ranks. These exams should consist of a written test on randomly selected Soldiers Manual tasks and a hands-on, common-task test. These tests should be offered for a limited period each year, and only those soldiers eligible for promotions should be required to take the test. The specific test questions should not be announced in advance.

Status: Action in process.

Agency Comments/Action

The Army agrees with the need to modify the Skill Qualifications Test program in a manner closely paralleled to report recommendations. At the same time, the Army emphatically disagrees with the report's contention that the test is an ineffective program.

DEPARTMENT OF DEFENSE - MILITARY

TRAINING

Weaknesses in the Resident Language Training System of Defense Language Institute Affect the Quality of Trained Linguists

(FPCD-82-22, 5-6-82)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Pursuant to a congressional request, GAO examined the management operations of the Defense Language Institute, Foreign Language Center. The Foreign Language Center is responsible for providing foreign language training to military personnel who are being prepared for intelligence activities. The Institute's mission is to conduct and supervise language training for such personnel and to provide technical support for all other foreign language training conducted for the services, except for military academies and overseas schools.

Findings/Conclusions: GAO reviewed the management and training at the Institute and concluded that changes are necessary to improve the quality of language instruction. Specifically, the Institute needs to: (1) replace outdated materials in basic courses, (2) upgrade the management of classroom instruction, and (3) better assess the effectiveness of its training mission.

Recommendations to Agencies: The Secretary of the Army should direct the Commandant of the Defense Language Institute to establish controls over course development projects which provide the means to assess progress against specified target dates.

Status: Action completed.

The Secretary of the Army should require the Commandant of the Defense Language Institute to establish procedures to carry out the reinstated policy for supervisory classroom visits and hold supervisors accountable for routinely observing instructor classroom behavior.

Status: Action in process.

The Secretary of the Army should direct the Commandant of the Defense Language Institute (DLI) to develop a Defense Language Proficiency Test that will measure student proficiency of the objectives and standards established by DLI.

Status: Action in process.

The Secretary of the Army should require the Commandant of the Defense Language Institute to require all newly hired

instructors to complete both phases of the basic instructor-training course. Instructors should be encouraged to seek out additional training to improve their instructional abilities as part of the individual development programs.

Status: Action in process.

The Secretary of the Army should direct the Commandant of the Defense Language Institute to develop resident basic courses using commercially available materials whenever these can be adapted at less cost and in less time than in-house development.

Status: Action in process.

The Secretary of the Army should require the Commandant to develop and distribute a standard schoolwide training methodology for use in all the Institute's language departments.

Status: Action in process.

The Secretary of the Army should direct the Commandant to establish realistic training objectives based on mission requirements and use the Defense Language Proficiency Test (DLPT) to measure graduate students' performance in satisfaction of these objectives and require that students pass the DLPT as a condition for graduation.

Status: Action in process.

Agency Comments/Action

The Department of the Army's Section 236 and OMB Circular 50 responses, dated July 1, 1982, were identical. The responses stated that programs have been initiated which directly addressed problems cited, but did not specifically address all of the recommendations, adding that programs continue to be actively pursued. The comments on specific recommendations stated that one recommendation had already been satisfied and that DLI had initiated actions to satisfy two other recommendations. The four remaining recommendations were not specifically mentioned but had been addressed in the response to the draft which indicated that actions were being taken.

DEPARTMENT OF DEFENSE - MILITARY

TRAINING

Backlog of Navy Enlisted Personnel Awaiting Training Results in Inefficiency and Unnecessary Cost (FPCD-82-42, 6-18-82)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO examined the trainee backlog problem in the Navy's initial skill training program to determine what action could minimize the backlog.

Findings/Conclusions: In recent years, an excessive number of Navy enlisted personnel have been waiting to receive initial skill training. During fiscal year 1981, about 5,000 enlisted personnel were awaiting training at 20 training activities on any given day. This number is nearly twice as high as the Navy's goal for the year. The Navy not only delayed skill development for the recruits involved but also: (1) deprived the fleet of about 2,250 staff-years of service, and (2) incurred approximately \$17 million in unnecessary personnel costs. GAO found that, although the Navy's efforts have begun to reduce the backlog, it could still take other actions to further reduce the backlog in fiscal year 1982. In addition, GAO believes that a long-term commitment is needed to permanently eliminate the excess, minimize the unavoidable number of personnel awaiting instruction, meet future training demands, and avoid unnecessary costs.

Recommendations to Agencies: The Secretary of the Navy should establish standards for the minimum size, time delays, and categories for the population awaiting instruction.

Status: Action in process.

The Secretary of the Navy should translate these standards into specific firm targets for each school.

Status: Action in process.

The Secretary of the Navy should adjust recruit training schedules to allow a smoother flow of trainees directly from recruit training into individual skill training.

Status: Action in process.

The Secretary of the Navy should request Department of Defense approval to expand the justification for the annual training budget to include the costs of student backlogs.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

The Navy generally agreed with the GAO recommendations to reduce the training backlog and initiated corrective action, but it raised opposition to the recommendation to expand justification for the annual training budget. However, the Navy agreed to discuss the issue with the Office of the Secretary of Defense.

DEPARTMENT OF DEFENSE - MILITARY

TRAINING

Success of the Programed School Input Program Justifies Expansion (FPCD-82-53, 9-16-82)

Department of the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Navy's Programed School Input (PSI) program, a school guarantee option which sends enlistees to duty stations before they receive initial skill training in a specific occupation at a Navy school.

Findings/Conclusions: In recent years, approximately 3,000 enlisted personnel have been recruited annually under this option. The review of the program indicated that, despite some implementation problems, the program has afforded the Navy and its enlistees the following advantages: (1) the Navy is provided with a recruit's service before a large training investment is made; (2) the PSI recruit is provided an opportunity to adapt to the Navy before initial skill training begins, thus reducing the likelihood of attrition during the enlistment term; and (3) the Navy's training investment on large numbers of enlistees who will leave before completing their first term of enlistment is decreased. Although Navy officials agree that the program is successful and have taken steps to rectify certain implementation problems, they are not planning to increase its size. GAO does not believe that the program's full potential is being realized.

Recommendations to Agencies: The Secretary of the Navy should determine the full potential for expanding the PSI program for inclusion in the fiscal year 1985 budget

presentation. This should include assessing and quantifying program benefits from more effective use of enlisted personnel and initial skill training resources.

Status: Action in process.

The Secretary of the Navy should make incremental increases in the PSI program size each year beginning in fiscal year 1984 in the ratings already targeted as well as others that could be included until the optimum can be achieved.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

Agency comments on the draft report were not received in time to be addressed in the report. The comments subsequently received indicated that the Navy concurred in the program benefits but stated that expansion of the PSI program to include other ratings and a larger input was not necessary to meet the original objectives of the program to provide the recruiting command with a greater number of school guarantee programs and to assist in level loading schools. The Section 236 comments due on November 16, 1982, are still being worked on by DOD.

DEFENSE-RELATED ACTIVITIES

FOREIGN MILITARY SALES

Air Force Does Not Recover All Required Costs of Modification Kits Sold to Foreign Governments (PLRD-82-111, 8-27-82)

Department of the Air Force

Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority: A.F.R. 170-3. A.F.R. 400-3. DOD Instruction 2140.1. DOD Instruction 2140.2.

GAO conducted a review to determine whether Air Force procedures and practices ensure recovery of the costs of modification kits sold under the foreign military sales program and, if not, to identify those costs which are not being recovered.

Findings/Conclusions: GAO found that Department of Defense (DOD) pricing policies, which were designed to eliminate subsidies in the foreign military sales program, have not been effectively implemented by the Air Force. Some Air Force regulations and guidelines on pricing are ambiguous and confusing. As a result, many costs incurred in providing modification kits have not been charged to foreign governments. One Air Force regulation classifies certain costs as nonrecurring, while another regulation classifies those same costs as recurring. Air logistics centers do not have procedures to validate or update prices for modification kits that are installed on foreign-owned equipment undergoing overhaul at Air Force facilities. The Air Force does not have procedures to identify and accumulate costs incurred when modification kits are assembled in-house by Air Force personnel. As a result, the costs for direct labor, transportation, packing, crating, and the use of Government-owned facilities are not being recovered. GAO concluded that ambiguous guidance, inadequate procedures, and the resultant undercharges are due in large part to fragmented management within the Air Force Logistics Command. GAO also found that the San Antonio Air Logistics Center in particular did not charge hundreds of thousands of dollars to foreign governments even when clear and concise pricing procedures were provided. GAO believes that significant costs have not been recovered and that these undercharges will continue in future sales unless the regulations and procedures for pricing these items are revised.

Recommendations to Agencies: The Secretary of the Air Force should revise and, to the extent practical, consolidate the various Air Force regulations and guidelines to bring them in line with the DOD pricing policy of full recovery of costs.

Status: No action initiated: Affected parties intend to act.

The Secretary of the Air Force should specifically fix responsibility within the Air Force Logistics Command to ensure effective implementation of this policy.

Status: Action in process.

The Secretary of the Air Force should effectively implement established procedures at the air logistics centers that will: (1) capture and accumulate direct cost data for in-house efforts so that administrative charges can be applied properly; and (2) ensure proper pricing for modification kits assem-

bled for installation on foreign-owned equipment being overhauled at Air Force facilities.

Status: Action in process.

The Secretary of the Air Force should direct the Air Force Logistics Command to provide the air logistics centers with proper identification of the various recurring costs that should be charged directly or appropriately allocated to foreign governments.

Status: Action in process.

The Secretary of the Air Force should direct the Air Force Logistics Command to require air logistics centers to review their current operational procedures to ensure that they are in line with the full recovery policy and to identify and bill foreign governments for any undercharges. Specific areas that should be reviewed by all logistics centers are modification cases under which kits were: (1) installed on foreign-owned items being overhauled; and (2) assembled at Air Force facilities by Air Force personnel.

Status: Action in process.

The Secretary of the Air Force should direct the Air Force Logistics Command to require the San Antonio Air Logistics Center to specifically review all modification shipments made to foreign governments since October 1, 1978, and determine how much each foreign government was charged for technical publications. In cases where prices charged deviated from DOD pricing policies, revised billings should be submitted to the foreign governments.

Status: Action in process.

The Secretary of the Air Force should direct the Air Force Logistics Command to require the San Antonio Air Logistics Center to specifically review all modification sales to foreign governments made since October 1, 1978, and apply the pricing criteria contained in the Air Force Logistics Command quality control program. In cases where pricing deviations are found, corrective billings should be promptly submitted.

Status: Action in process.

Agency Comments/Action

In commenting on the draft report, DOD and Air Force officials did not concur with two of the recommendations. In commenting on the final report, the Assistant Secretary of Defense/(Comptroller) noted the prior DOD position and offered the following on the areas with which it previously did not concur. The Assistant Secretary will request that the Defense Audit Service audit the proliferation of policy

demands. The failure to properly accumulate the nonrecurring production cost pool will be addressed in a special DOD study group report on compliance with DOD policies on recovering costs of weapons systems. This report was to be issued by November 15, 1982.

DEFENSE-RELATED ACTIVITIES

INTERNAL AUDITS

The Navy's Inspection System Could Be Improved (FGMSD-30-23, 12-26-79)

Department of the Navy

Budget Function: National Defense: Defense-Related Activities (054.0)

The Naval Inspector General inspection system is much smaller than the Air Force or Army systems and covers only about 20 percent of the Navy's activities; the other activities are inspected by individual commanders. Both groups rely extensively on temporary inspectors who normally are taken from the headquarters staff offices of the activity conducting the inspection.

Findings/Conclusions: The Naval inspection system differs from the Air Force and Army systems whose headquarters and command-level inspection staffs inspect the lower levels of their organizations. The Navy relies on each level within the chain of command to inspect its immediate subordinates. Generally the Inspector General does not receive copies of lower level inspection reports, and significant problems these inspections disclose are not referred to him. While this highly decentralized system provides some formal oversight of Naval activities and prevents duplication of inspections by different levels, it could be more effective. If the headquarters Inspector General expanded his inspections to include lower level Navy activities, the Secretary of

the Navy and the Chief of Naval Operations would get an independent assessment of the units' condition and a better overall picture of the state of the command. Additional full-time staff would probably be required, but the benefits of their work should justify the investment. Additional professional positions could be filled by civilians.

Recommendations to Agencies: The Secretary of the Navy should ensure compliance with existing directives requiring that command inspection reports: (1) identify causes of problems; (2) do not address minor deficiencies; and (3) refer significant problems disclosed by lower level inspections to the Naval headquarters Inspector General.

Status: Action completed.

The Secretary of the Navy should expand inspections of lower level activities to allow more indepth observations.

Status: Action completed.

The Secretary of the Navy should require that more civilians be used in professional positions wherever possible.

Status: No action initiated: Date action planned not known.

DEFENSE-RELATED ACTIVITIES

INTERNATIONAL AFFAIRS

U.S. Overpays for Suez Canal Transits (ID-82-19, 2-10-82)

Departments of Defense, State, and the Navy

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)

Review of U.S. defense cooperation with Egypt has uncovered apparent inconsistencies in the tolls U.S. warships are being assessed by the Egyptian Government for transiting the Suez Canal. GAO initiated a review to examine these findings, to assess the magnitude of the overcharges, and to identify what steps can be taken to eliminate them.

Findings/Conclusions: Since the U.S. Embassy in Cairo began retaining records of Canal transits in 1979, overcharges have amounted to over 18 percent of the total payments. These overcharges primarily stem from inaccurate computations by the Suez Canal Authority and the absence of any verification of bills received by the U.S. Embassy. The tolls for some classes of U.S. ships which transit the Canal have been overstated, because the ships did not have Suez Canal Special Tonnage Certificates which attest to the net weight of a ship for Canal toll purposes. Sufficient controls would reduce the unnecessary expenditure of Government funds and ensure that, in the future, an objective standard is used to compute toll costs.

Recommendations to Agencies: The Secretary of Defense should work with the Coast Guard to accelerate the preparation and dissemination of Suez Canal Special Tonnage Certificates for all classes of U.S. warships and vessels in the Military Sealift Command to introduce greater objectivity into the computation of tolls.

Status: Action in process.

The Secretaries of State and Defense should establish a routine verification procedure, within the office of the Defense Attache, for all bills forwarded by the Egyptian Government for Suez Canal toll collection.

Status: Action in process.

Agency Comments/Action

The Navy is taking steps to find an appropriate method to verify charges and work with Egypt to assure that only proper amounts are paid.

DEFENSE-RELATED ACTIVITIES

MATERIAL MANAGEMENT

Management Improvements Needed in Coast Guard Supply System (PLRD-81-37, 7-2-81)

Department of Transportation and United States Coast Guard

Budget Function: National Defense: Defense-Related Activities (054.0)

GAO reviewed Coast Guard efforts to establish a more viable supply system by eliminating wholesale inventories of items which are also stocked and managed by other Federal agencies and reducing the number of inventory control points (ICP).

Findings/Conclusions: GAO found that some progress had been made in resolving these problems. However, GAO determined that: (1) the Coast Guard could save millions of dollars annually by obtaining supplies and spare parts from other Government agencies when needed, instead of maintaining inventories; (2) the Coast Guard stocks thousands of inactive line items at levels above Coast Guard needs, although many of these items are needed and are being procured by other Federal agencies; (3) ship inventory records were inaccurate, and item managers do not know what repair parts and components are available to them; (4) duplicate filings of aeronautical requisitions result in air stations receiving supplies in excess of the amount authorized; (5) inventory discrepancies are not adequately corrected, and records do not accurately reflect available stock levels; and (6) improvements are needed in controls over project material by the inventory control point and headquarters' offices. The Coast Guard needs to purge its system of other Government agency-managed items. Stockage of parts managed by these agencies contributes to unnecessary storage, handling, and transportation costs. The Coast Guard has a large amount of inactive inventory that could be redistributed to other Government agencies. Periodic physical inventories at Coast Guard control points have not been taken as required and, when taken, discrepancies between onhand stocks and stock records have not been properly reconciled nor adequately researched to prevent similar occurrences.

Recommendations to Agencies: The Secretary of Transportation should require the Commandant of the Coast Guard to direct the ICP's to adopt requisitioning procedures that would permit shipments directly to the users.

Status: No action initiated: Date action planned not known.

The Secretary of Transportation should require the Commandant of the Coast Guard to direct the ICP's to (1) eliminate wholesale levels of stock available from other Govern-

ment supply sources; and (2) report to the Commandant on the progress made.

Status: No action initiated: Date action planned not known.

The Secretary of Transportation should direct the Commandant of the Coast Guard to implement a Coast Guard-wide inactive item program similar to the Aviation ICP program. This program would ensure that unneeded items are purged regularly from the supply system and made available to other Government agencies.

Status: Action in process.

The Secretary of Transportation should direct the Commandant of the Coast Guard to monitor the ICP supply management practices to ensure that (1) periodic physical inventories are systematically taken to identify items in excess of needs and those not needed for other projects; (2) stock discrepancies are reconciled properly and stock records are adjusted properly to reflect onhand stocks; (3) discrepancies are researched adequately to determine and correct the causes; and (4) units assign the appropriate designators to their requisitions.

Status: Action in process.

Agency Comments/Action

Coast Guard headquarters did a limited followup on actions taken by its ICP's on the recommendations. Although the Coast Guard's position has been that it agrees conceptually with the recommendations, it appears that little progress has been made in eliminating wholesale levels of stock centrally managed by other Government agencies (OGA). The Coast Guard has made limited progress on the recommendation that it implement an inactive item program similar to its Aviation ICP program. To date, the Ships ICP eliminated 681 OGA items from inventory, and the Electronics and General Supplies ICP deleted 2,975 items. Coast Guard headquarters did not obtain the dollar value of the items purged by either of the ICP's. It said that new ADP hardware should significantly improve inventory management capability. The Aviation ICP continued to make sizable deletions from its inactive inventory.

DEFENSE-RELATED ACTIVITIES

MATERIAL MANAGEMENT

National Defense-Related Silver Needs Should Be Reevaluated and Alternative Disposal Methods Explored (EMD-82-24, 1-11-82)

Departments of the Interior and Defense, Federal Emergency Management Agency, and General Services Administration

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)

Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Department of Defense Appropriations Act, 1982. Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.). Bank Holding Company Act (84 Stat. 1768). National Materials and Minerals Policy, Research and Development Act of 1980 (30 U.S.C. 1604). Coinage Act of 1965 (P.L. 89-81). P.L. 90-29. P.L. 96-41. S. 1230 (94th Cong.). H.R. 3484 (94th Cong.).

GAO was requested to evaluate the consequences of a sale of silver from the National Defense Stockpile, a supply of materials retained to prevent costly dependence upon foreign supply sources during national emergencies. Specifically, GAO was asked to address all aspects of the sale, including changes which have occurred since the sale was last justified and alternatives to disposing of any excess silver.

Findings/Conclusions: The Federal Emergency Management Agency (FEMA) determined that the supply of silver from domestic production and reliable imports exceeded the estimated quantity required to sustain the United States for periods of not less than 3 years in the event of a national emergency. Subsequent legislation has suspended a proposed disposal pending a redetermination that the silver to be disposed of is in excess of stockpile requirements. Several factors used to establish stockpile goals for all strategic materials, including a zero silver goal, have changed. These changes have (1) increased projected defense-related demand for silver during national emergencies, and (2) reduced the availability of silver from existing domestic mines and processors. Additionally, three major foreign suppliers have protested the disposal, alleging that a sale will depress the market price, resulting in decreased employment and foreign exchange earnings. To dispose of the silver, the General Services Administration held weekly auctions, but the sale did not assure that the disposal would be for domestic consumption nor did it assure that the short-term market price of silver would not be depressed relative to what it had been. GAO explored disposal alternatives, including coinage programs, small silver bars, transferring or

selling the silver to the U.S. Treasury, and leaving the silver in the National Defense Stockpile. The bullion coinage program appears to be the most attractive alternative that should be considered.

Recommendations to Agencies: The Director of the Federal Emergency Management Agency, in evaluating various factors and information, should specifically consider: (1) the most recent war scenario hypothesized in terms of participants, war fronts, type of military action, and warning time; (2) defense-related uses of silver during past national emergencies; (3) reduced expansion from existing mines during wartime; (4) decreasing domestic smelting capacity; (5) the cost of silver from recycling, domestic stocks, and foreign suppliers; (6) the impact that selling the silver at auction may have on relations between the United States and its major foreign suppliers; and (7) long-term uncertainties relating to projected increased U.S. dependency on foreign silver sources and the possibility that a silver stockpile goal could be reestablished at some future date.

Status: Action in process.

Agency Comments/Action

The administration has established a Federal task force, the Interagency Silver Commodity Committee, to reevaluate the need for the stockpile silver sales and to explore alternative disposal methods. On June 29, 1982, the Secretary of the Interior informed Congress that the stockpile silver sales have been postponed indefinitely and that the recommended disposal method, silver bullion coins, is being given serious consideration.

DEFENSE-RELATED ACTIVITIES

MATERIAL MANAGEMENT

Management of DOD's Shelf-Life Program--Better, but Still in Need of Improvement (PLRD-82-84, 5-25-82)

Department of Defense

Budget Function: National Defense: Defense-Related Activities (054.0)

GAO reviewed the management of the Department of Defense (DOD) Shelf-Life Program which covers supply items with inventories valued at about \$1 billion.

Findings/Conclusions: Since the last review, DOD has appointed an Administrator with overall responsibility for the Shelf-Life Program, and DOD has taken other initiatives to improve program management. GAO found that the ability of the Administrator and other interested parties to evaluate the program's effectiveness is hampered because a critically needed management reporting system has not been implemented. Such a critically needed management reporting system intended to overcome this problem has been allowed to slip far beyond its originally anticipated completion date. This reporting system would significantly enhance the Shelf-Life Program Administrator's capability to fulfill his responsibilities. One of the primary goals of the DOD Shelf-Life Program is to minimize the risk of shelf-life expiration before issuance, that is to keep disposal of shelf-life material to a minimum. Inconsistent and ineffective management practices continue to impair the shelf-life program. Other continuing problems exist because: (1) inventory control points (ICP) make many errors when designating items for inclusion in the program; (2) the Air Force storage activities do not apply shelf-life management controls to many items designated for shelf-life management by non-Air Force ICP's; (3) military storage activities have not corrected longstanding deficient shelf-life management practices, although these deficiencies have been reported many times.

Recommendations to Agencies: The Secretary of Defense

should direct the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) to make sure the shelf-life management reporting system is implemented without further delay.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Air Force and the Administrator of the Shelf-Life Program to jointly evaluate the costs and benefits the Air Force's policy of not employing intensive management procedures for many items designated as shelf-life items by various inventory control points. If the Air Force policy is cost effective, it should be adopted DOD-wide; if not, the Air Force should abandon the policy.

Status: Action in process.

To improve the accuracy of shelf-life designations assigned by inventory control points, the Secretaries of the military services and the Director of the Defense Logistics Agency should require their inventory control points to implement formal programs to: (1) thoroughly review contractor recommendations regarding the shelf life of items entering the supply system; and (2) periodically reevaluate assigned shelf-life designations of items in the supply systems to validate the need for continued shelf-life controls.

Status: Action in process.

Agency Comments/Action

DOD concurred with the recommendations and is taking action to implement them.

DEFENSE-RELATED ACTIVITIES

MATERIAL MANAGEMENT

Requirements and Production Capabilities Are Uncertain for Some Air Force, Navy, and Marine Corps Aircraft Spares and Repair Parts (PLRD-82-77, 7-22-82)

Departments of Defense, the Air Force, and the Navy, and United States Marine Corps

Budget Function: National Defense: Defense-Related Activities (054.0)

Pursuant to a congressional request, GAO reviewed the processes used by the Air Force, Navy, and Marine Corps to develop their fiscal year (FY) 1982 budgets for aircraft spares and repair parts, the subsequent procurement plans for these items, and the adequacy of management information systems to address the problems associated with these items.

Findings/Conclusions: Many of the problems previously reported by GAO still exist. The Air Force and Navy procurement plans for aircraft spares and repair parts included in the FY 1982 budget have changed, because the requirements on which they were based have fluctuated. To more realistically determine war reserve requirements for aircraft spares and repair parts, the Air Force is developing a computer model, the wartime and assessment requirements simulation (WARS). The Air Force has revised its procurement plans on the basis of the interim model, and original cost requirements for eight C-5A items GAO reviewed were reduced. A number of deficiencies recently identified in Air Force and Navy programs for managing problem items occurred because the programs were using inaccurate data which did not always include all problem items. The remedial actions taken were frequently ineffective in addressing production-related causes. Delinquent deliveries of aircraft spares and repair parts have increased and have become a significant problem affecting the operational readiness of Air Force aircraft. Delinquent deliveries may also be a significant problem for the Navy; however, the Navy does not track and analyze delinquent contracts, and data required to do so have not been obtained or updated. Both the Air Force and the Navy have some remedial actions planned to deal with the delinquency problem. GAO believes that, until the underlying systemic shortcomings in the requirements determination processes are corrected, the total annual budgets for aircraft will remain questionable.

Recommendations to Agencies: The Secretary of Defense should require the Secretary of the Air Force to make limit-

ed tests of the feasibility of generically coding aircraft items, based on the material trends identified in the Joint Aeronautical Material Activity reports, to identify the causes of lengthening leadtimes. Based on the test results, if it is determined that shortages of certain critical materials, components, or manufacturing processes are the causes of lengthening leadtimes, the Secretary of Defense should pursue alternatives for resolving problems.

Status: Action in process.

The Secretary of the Air Force should speed up the testing and validation of the WARS model as well as mission essentiality coding and use these tools in procuring spares and repair parts to fill war reserve material requirements.

Status: Action in process.

The Secretary of Defense should closely monitor the military services' actions to overcome systemic shortcomings with their requirements determination process to ensure proper resolution of the reported problems.

Status: Action in process.

Agency Comments/Action

DOD agreed with the report's recommendations and cited actions in process to implement them. A Supply Management Policy Working Group, which has an overall objective the development of improved materiel requirements forecasting and computational methodology, was established. According to DOD, this group will provide DOD with a means to better monitor actions to reduce or eliminate the systemic problems cited in the report. The Air Force is currently working to develop a generic coding system which is expected to provide a better prediction of leadtime changes. Development testing of the WARS model has been completed, and production testing is in progress. Action has been taken to expedite development of the model. All of these actions are responsive to the recommendations.

DEFENSE-RELATED ACTIVITIES

MEDICAL SERVICES

Military Medicine Is In Trouble: Complete Reassessment Needed (HRD-79-107, 8-16-79)

Departments of Defense, the Air Force, the Army, and the Navy

Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority: 10 U.S.C. 1074. 10 U.S.C. 1076.

Since the end of the draft in 1973, the military's direct medical care system has experienced a gap between the number of military physicians it has available and the number needed to provide medical care, seriously impairing the system's ability to meet peacetime medical needs efficiently and effectively. Hospital operations have been hampered by the lack of physicians as has the ability of active-duty members to obtain medical care.

Findings/Conclusions: The military service medical departments project substandard professional staffing levels past 1984, with no foreseeable increase in the supply of military physicians. Department of Defense data showed widespread closings and reductions of medical services in fiscal year 1978 due to the shortage, affecting all beneficiaries. GAO visited seven military hospitals and found services closing and reopening, depending on physician availability; patients sent elsewhere or moved long distances for specialized services; greater dependence on civilian services; longer waits by patients; occasional denial of services; and temporary assignments of physicians to short-handed nonmedical functions. GAO recognizes the physician shortage but sees additional reasons for the system's shortcomings, including shortages among other medical service personnel. GAO surveyed beneficiaries living within 30 miles of military hospitals and found that most families of retired members had tried to obtain medical care during an 8-month period; about one-third of them could not do so. GAO estimated that in the survey period, 104,000 active-duty members and 157,000 retirees failed to obtain care. A followup questionnaire from GAO showed that most patients sought medical care elsewhere because of physician

shortages or long waits for appointments; they compared civilian care favorably to that of military hospitals and experienced only slight difficulty in paying for these services.

Recommendations to Congress: Congress should clarify and formally recognize policies regarding: (1) whom the military's direct medical care system will serve in peacetime; and (2) how and to what extent beneficiaries in the direct care system as a result of the policies adopted would receive the assistance needed to obtain medical care from other sources. Congress should reevaluate the role and structure of the military medical care system and direct DOD to establish a structure that will improve its ability to serve beneficiaries in peacetime. Congress should also consider other alternatives discussed in this report as well as others that may be presented from other sources.

Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of Defense should improve the environment in which military physicians practice medicine to the extent practicable by: (1) reducing or eliminating emergency room duties for specialists, particularly those who do not have routine exposure to general medical practices; (2) reducing physicians' nonmedical duties; and (3) increasing the length of physicians' assignments at specific hospitals.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

DOD agreed with the basic findings but believed that some recommendations would diminish wartime contingency capability.

DEFENSE-RELATED ACTIVITIES

MEDICAL SERVICES

The Congress Should Mandate Formation of a Military-VA-Civilian Contingency Hospital System (HRD-80-76, 6-26-80)

Departments of Defense, the Army, the Navy, the Air Force, and Health and Human Services, Veterans Administration, and Federal Emergency Management Agency

Budget Function: Health: Health Planning and Construction (551.3)

In response to a request, GAO reviewed the Department of Defense's (DOD) plans to use nonmilitary hospitals to treat battlefield casualties in the event of war or conflict. The need for developing a contingency hospital system consisting of DOD, the Veterans Administration (VA), and civilian medical resources is discussed. The primary emphasis is that the VA role should be greater than currently planned by DOD. The extent of support VA will provide DOD in treating returning battlefield casualties is the most important issue in developing a civilian-military contingency hospital system for medical treatment of wartime casualties. DOD has looked primarily to civilian medical resources to meet anticipated shortfalls should the United States become involved in war. Only recently has specific consideration been given to VA medical capability. DOD officials said that civilian resources would still be needed to treat battlefield casualties even if DOD and VA resources were fully used for that purpose.

Findings/Conclusions: DOD recently revised several aspects of its original system. Major changes appear to be: (1) elimination of a new, possibly duplicative administrative structure as originally proposed; and (2) reliance on the military services for patient administration responsibilities. GAO agreed with these revisions. DOD revised plans are still unclear about how civilian beds and staff would be made available. Available beds and staff should be identified assuming patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. Failure to resolve issues regarding civilian physician and hospital reimbursement and liability could limit implementation of the planned system. VA should be much more involved in planning and caring for battlefield casualties than it would be in caring only for those who will not return to duty. Just how much VA can participate is questionable. DOD has not told VA what its needs are, nor has VA told DOD what its capabilities are. GAO believes that the Nation should prepare for a possible conflict by planning to appropriately use Federal medical resources before calling on civilian resources. A strong peacetime medical resources sharing program could provide a more effective relationship between VA and DOD that could prove invaluable in war.

Recommendations to Congress: Congress should enact legislation which provides that both DOD and VA fully participate in Federal medical planning for and care of returning wartime casualties. Such legislation should: (1) give VA the mission of providing direct medical support to DOD for treating battlefield casualties; (2) place battlefield casualties

above veterans with non-service-connected, nonemergency conditions in priority for care; and (3) remove numerous obstacles to interagency sharing, as GAO previously recommended, so that VA and DOD may establish a strong peacetime medical resources sharing program to serve as an effective foundation for a military-VA-civilian contingency hospital system.

Status: Action completed.

Recommendations to Agencies: The Secretary of Defense and the Administrator of Veterans Affairs should develop and establish the framework for a military-VA-civilian contingency hospital system. As part of this development, a mechanism should be established for obtaining civilian medical care capability that: (1) recognizes the responsibilities of the Federal Emergency Management Administration, the Department of Health and Human Services, and other Federal agencies during war or conflict; and (2) adequately considers other unresolved issues, such as physician reimbursement and liability, and ground transportation availability.

Status: Action in process.

The Administrator of Veterans Affairs should ascertain the extent to which VA affiliated hospitals would be able to assist VA in treating battlefield casualties.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should determine the optimal number and placement of U.S. aeromedical staging facilities with emphasis on locations near concentrations of military and VA medical resources.

Status: Action in process.

The Secretary of Defense and the Administrator of Veterans Affairs should identify Federal and civilian capability that could be provided assuming that: (1) patients are discharged early whenever possible; and (2) nonemergency admissions are restricted during the war surge period.

Status: Action in process.

The Secretary of Defense and the Administrator of Veterans Affairs should analyze DOD and VA medical care resources to determine the Federal patient treatment capability on a time-phased basis. This analysis should be made first near existing DOD aeromedical staging facilities, but should also include other locations where there are large concentrations of DOD and VA medical resources.

Status: Action in process.

The Secretary of Defense should compare the medical care requirements as calculated under various wartime scenarios with available Federal medical resources to determine how

much and what type of civilian medical care capability would be needed to augment Federal capability.

Status: Action in process.

The Secretary of Defense, in concert with other agencies having contingency planning responsibilities, should assume overall coordinating responsibility for plans jointly developed by DOD and VA using Federal medical resources and necessary civilian medical capability under the military-VA-civilian contingency hospital system.

Status: Action in process.

The Administrator of Veterans Affairs should provide estimates to DOD concerning its potential capabilities, in terms of both facilities and staffing, to treat returning battlefield casualties regardless of whether those casualties would be expected to return to duty. Such estimates should be based on the assumptions that patients would be discharged early whenever possible and nonemergency admissions would be restricted during the war surge period. These estimates should be developed through the joint DOD-VA planning effort to establish a military-VA-civilian contingency hospital system.

Status: Action in process.

Agency Comments/Action

The agencies are in general agreement with the recommendations in the report.

DEFENSE-RELATED ACTIVITIES

MEDICAL SERVICES

Better Planning and Funding Approach Needed for Military Medical Facilities Construction and Modernization Projects in Germany (HRD-82-130, 9-30-82)

Departments of Defense, the Air Force, and the Army

Budget Function: Health: Health Planning and Construction (551.3)

GAO reported on the condition of military medical facilities in Europe as well as plans for their renovation and replacement.

Findings/Conclusions: GAO believes that the recent emphasis placed on European construction projects, together with significantly higher funding provide the Army with an opportunity to correct deficiencies, eliminate past inadequacies in facility geographic distribution, and consider construction alternatives. GAO found that consolidation of facilities in some military communities appears to be a cost-effective way to improve the quality of care. To justify and plan proposed projects, the Army needs information on the condition of existing facilities and guidance as to the optimum size and location of medical facilities. GAO also found that improvements are needed in the ways related maintenance and repair costs are estimated and total project costs are funded. Maintenance and repair estimates associated with the project are not always based on a detailed analysis of all deficiencies, with the result that Congress is not provided with complete cost information.

Recommendations to Agencies: The Secretary of Defense should direct the Secretaries of the Army and the Air Force to coordinate medical construction programs for Germany with a view toward joint utilization of facilities where possible.

Status: No action initiated: Affected parties intend to act.

The Secretary of the Army should develop: (1) a method to more accurately estimate the amount of maintenance and repair costs to ensure that Congress is made aware of the total project funding requirements; and (2) a funding approach for future medical facility modernization projects which will assure that required operations and maintenance funding will be available throughout the project.

Status: No action initiated: Affected parties intend to act.

The Secretary of the Army should give high priority to completion of the Resource Distribution Study so that it can be used in the 7th Military Command's Health Facility Modernization Program. The Secretary should insure that the study: (1) examines ways to compile detailed data on the condition of Army medical facilities in Europe; (2) develops an evaluation criterion for proposed projects which considers the medical needs of the community, the conditions of facilities, and efficient distribution of Command resources; and (3) evaluates consolidation opportunities for clinics discussed in this report and other clinics located near each other or hospitals.

Status: No action initiated: Affected parties intend to act.

DEFENSE-RELATED ACTIVITIES

MILITARY MANPOWER

Failure of Registrants To Report Address Changes Would Diminish Fairness of Induction Processing (FPCD-82-45, 9-24-82)

Selective Service System

Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority: Military Selective Service Act.

GAO reviewed the currency of registrant mailing addresses kept by the Selective Service System, which are necessary to ensure the prompt delivery of induction notices and vital to both the equity and effectiveness of a draft.

Findings/Conclusions: GAO found that about 85 percent of the persons who moved after registering in 1980 did not notify the Service of their mailing address changes. As a result, address information for between one-fifth and two-fifths of the registrants in the prime induction group could be outdated and, at the end of the 8-year period of draft eligibility, almost three-fourths of the addresses could be outdated. GAO concluded that many registrants are apparently not aware of the requirement to report mailing address changes and that there appears to be confusion about the distinction between the current mailing address and the permanent address. As a result, the equity of the system is decreased.

Recommendations to Agencies: The Director of the Selective Service System should modify the registration acknowledgement letter to more prominently state the penalties for not promptly reporting change-of-address information and to explain the distinction between the current mailing address and the permanent address.

Status: Action in process.

The Director of the Selective Service System should require

a random sample of registrants to furnish their current mailing addresses to test the effectiveness of acknowledgement and verification letters in improving the completeness of address change reporting.

Status: No action initiated: Date action planned not known.

The Director of the Selective Service System should, if address information is not substantially improved by October 1984, propose Presidential proclamation language changing the registration requirement from age 18 to 3 to 6 months prior to the year of prime draft susceptibility.

Status: No action initiated: Date action planned not known.

The Director of the Selective Service System should determine whether arrangements can be made with the Postal Service for special handling of induction notices that can be sent to forwarding addresses.

Status: Action in process.

Agency Comments/Action

The Selective Service System, on August 19, 1982, generally agreed with the findings, conclusions, and recommendations. The Section 236 comments due November 24, 1982, are still being worked on by the Selective Service System.

DEFENSE-RELATED ACTIVITIES

PERSONNEL SUPPORT SERVICES

Opportunities Exist To Reduce Operating Costs of the Department of Defense Overseas Dependents Schools (HRD-82-86, 8-26-82)

Department of Defense

Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority: Defense Department Overseas Teachers Pay and Personnel Practices Act (20 U.S.C. 901). Defense Dependents' Education Act of 1978 (20 U.S.C. 2701 et seq.). Department of Education Organization Act (20 U.S.C. 3401). Annual and Sick Leave Act of 1951 (P.L. 82-233). District of Columbia Teachers' Leave Act of 1949 (P.L. 90-212; 10 U.S.C. 1430(d); 10 U.S.C. 1430(f)). DOD Directive 1400.13. H.R. 2802 (97th Cong.). S. 1474 (97th Cong.). DOD Manual 1342.6-M-1.

GAO reviewed the opportunities for savings in the teacher substitution and pupil transportation programs in the Department of Defense Dependents Schools (DODDS) system.

Findings/Conclusions: Department of Defense (DOD) policy states that teachers who reside in the United States should be hired only if vacancies cannot be filled by transferring currently employed teachers or by hiring locally. However, a large number of substitute teachers are needed and local applicants constitute the only source to meet demand. As a result, some principals are reluctant to hire local applicants as full-time teachers. The high demand for substitutes is attributable primarily to the tightly structured rules covering accumulated leave-time among teachers which causes them to take their maximum earned leave-time to avoid forfeiting it. Hiring teachers in the United States is substantially more costly than hiring teachers locally; therefore, restructuring the leave-time regulations would lead to a decline in the need for substitutes so that more local applicants could be available for hire as full-time teachers. DODDS has budgeted approximately \$37 million for pupil transportation in fiscal year 1982. GAO found that military installation commanders, who are responsible for providing pupil transportation, have not made cost comparisons and other analyses to ensure that the most economical busing services are used. GAO believes that until the military services undertake these cost-effective analyses, cost savings in busing services will not be realized. GAO concluded that savings to DODDS could be achieved by reducing the demand for substitute teachers and identifying the most economical mode of pupil transportation.

Recommendations to Agencies: The Secretary of Defense

should require the Director of DODDS to establish and maintain a data base on the numbers of: (1) available and qualified local applicants who are dependents of DOD military and U.S. Government civilian personnel; and (2) teacher vacancies filled by local applicants who are dependents of DOD military and U.S. Government civilian personnel overseas.

Status: Action in process.

The Secretary of Defense should: (1) ensure that busing cost comparisons and other analyses are performed in all overseas communities where students are bused to DODDS and that military communities forward the results of the analysis to DODDS regions along with explanations, if the lowest cost alternative is not selected; (2) instruct the military departments to consider structuring contracts for pupil transportation services to allow competition by smaller companies and using multiyear contracting where it promises to reduce the cost of busing to the U.S. Government; and (3) ensure that military communities providing pupil transportation services submit complete and accurate quarterly cost reports to DODDS as required by the DOD Manual.

Status: Action in process.

The Secretary of Defense should require the Director of DODDS to ensure that regional offices develop an information base and commit the resources necessary to: (1) review cost comparison and other studies and coordinate with the military communities to resolve differences in approach or methodology; and (2) analyze and compare cost data from communities to identify unusually high contract or in-house costs per mile, per bus, or per student.

Status: Action in process.

DEFENSE-RELATED ACTIVITIES

PRODUCTIVITY

Improved Work Measurement Program Would Increase DOD Productivity (PLRD-81-20, 6-8-81)

Departments of Defense, the Air Force, the Army, and the Navy

Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority: DOD Instruction 5010.34. A.F. Logistics Command Reg. 66-4.

GAO reviewed work measurement in the Department of Defense maintenance depots.

Findings/Conclusions: The Office of the Secretary of Defense (OSD) is the local focal point for developing systematic ways of applying work measurement and the associated policy guidance. Although OSD has recognized the importance of this role, it still needs a reporting system to monitor the services' progress in implementing work measurement. In recent years, the Air Force Logistics Command (AFLC) has been emphasizing the accuracy of its labor standards through a 2-year labor standards improvement program and a subsequent consultant evaluation. However, the emphasis on accuracy apparently has been at the expense of improving coverage. Other problems include recruiting and retaining planner/technicians and other duties limiting the amount of time planner/technicians can spend on work measurement. In addition, more specific guidance as to which workload to cover with standards and more control over local work measurement programs by the AFLC would improve program quality. Although the Army has corrected some deficiencies, it still has problems in work measurement area: (1) low coverage by engineered standards; (2) a 20-percent decline in staffing of the work measurement function; and (3) system integrity. A Navy instruction requires that 80 percent of naval air rework facilities' (NARF) workload be covered by engineered standards. However, this goal seems to be beyond the reach of NARF. Problems include: (1) a lack of accurate labor charges; (2) a lack of qualified personnel; and (3) low quality of the standards.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Air Force to redefine the duties of the planner/technician so that more time can be spent on work measurement tasks.

Status: Action completed.

The Secretary of Defense should direct the Secretary of the Air Force to develop a reporting mechanism by which AFLC can monitor work measurement program results in the air logistics centers.

Status: Action completed.

The Army should increase its workload coverage with engineered standards and rely less on historical average for estimating labor requirements.

Status: Action completed.

The Secretary of Defense should become more involved in each service's work measurement program to provide timely advice and act as a conduit for information exchange among the services.

Status: Recommendation no longer valid/action not intended. *The Office of the Secretary of Defense did not concur with the recommendation; no action will be taken.*

The Army should place a high priority on carrying out its plans to improve the staffing of its work measurement functions.

Status: Action completed.

The Army should fully implement an effective work measurement system, including improving work methods, labor standards, and staffing and monitoring implementation.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Navy to emphasize to new NARF commanders the importance of the Navy's performance standards program and the need for the commanders to support it.

Status: Recommendation no longer valid/action not intended. *The existing practice in the Navy is to adhere to the thrust of the recommendation.*

The Secretary of Defense should direct the Secretary of the Air Force to provide sustained emphasis on improving all aspects of work measurement with particular focus on upgrading estimates to engineered standards and providing clear guidance for applying work measurement principles.

Status: Action completed.

The Secretary of Defense should direct the Secretary of the Air Force to require that Air Force Air Logistics Center commanders improve their work measurement systems by submitting engineered standards coverage goals that are closer to the 80-percent goal suggested by the consultant.

Status: Action completed.

The Secretary of Defense should direct the Secretary of the Air Force to develop and implement specific solutions for the Air Force's recruiting and retention problems at each air logistics center, such as special pay rates for affected groups, until the reality and value of pending blue-collar pay reform is known.

Status: Action completed.

The Secretary of Defense, to improve the quality of work measurement in Army maintenance depots, should direct the Secretary of the Army to act on the recommendations regarding work measurement GAO has made in the past and with which the Army has agreed.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Secretary of the Navy to require all NARF commanders to set goals for improving their work measurement programs, particularly regarding covering workload with engineered standards and

maintaining the quality of these standards.

Status: Action completed.

The Secretary of Defense should direct the Secretary of the Navy to review relative staffing among support functions within each NARF so that resources can be redistributed to avoid losses in NARF effectiveness because of insufficient work measurement personnel.

Status: Action completed.

The Secretary of Defense should direct the Secretary of the Navy to more accurately communicate to shop labor and management the need for accurate labor-hour reporting so that the advantages of accurate work measurement data are more fully realized.

Status: Action completed.

The Secretary of Defense should require the services to report periodically on the status of their work measurement programs. Particularly, service reports should address progress toward achieving predetermined goals for workload coverage by engineered standards, trends in staffing the work measurement function, and work measurement contributions to increasing depot productivity.

Status: Recommendation no longer valid/action not intended. *The Office of the Secretary of Defense did not concur with the recommendation; no action will be taken.*

Agency Comments/Action

The Air Force, Army, and Navy have concurred with all of the recommendations and have taken steps to correct problems noted in the report. The Office of the Secretary of Defense did not concur with two of the recommendations; no action was initiated by that office.

DEFENSE-RELATED ACTIVITIES

READINESS

Readiness of the U.S. Coast Guard
(PLRD-82-98, 8-18-82)

Departments of Defense, the Navy, and Transportation and United States Coast Guard

Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority: H. Rept. 96-1193.

GAO evaluated the Coast Guard's and Navy's mobilization planning to consider whether improvements have been made in this area since an earlier report reviewed these same issues. The review focused on: (1) the need to more fully evaluate the Coast Guard's wartime roles and missions, and (2) the readiness of Coast Guard forces.

Findings/Conclusions: Difficulties have continuously hampered efforts to assign the Coast Guard wartime tasks to support Navy operations and to develop viable plans for carrying out the tasks. The primary problem has been the inability to realistically match the Coast Guard's assigned wartime tasks and its existing or planned capabilities. Studies of wartime tasks and missions have had little effect because the Coast Guard's wartime duties have not been adequately evaluated. GAO believes that major questions remain regarding the tasks that should be assigned to the Coast Guard in wartime and the ability of its services to effectively carry out these tasks. GAO concluded that, until the issue of assigning wartime tasks is resolved, there will be no baseline against which to make effective decisions.

Recommendations to Agencies: The Secretary of Transportation, in consultation with the Commandant of the Coast Guard and the Joint Chiefs of Staff, should reach agreement with the Secretary of the Navy on the specific wartime

missions that should be assigned to the Coast Guard.

Status: Action in process.

The Secretary of Transportation should direct the Commandant of the Coast Guard to: (1) sponsor an interagency working group to fully resolve the coordination problems between the Coast Guard and other agencies with wartime and mobilization port responsibilities; (2) develop specific and reasonable, dependable sources to satisfy logistical support requirements for the Reserve at mobilization; and (3) emphasize Reserve training to ensure that mobilization training of individual reservists is maximized. Increased formal training should be provided to those rates (job specialties) for which adequate training is not provided through augmentation.

Status: Action in process.

Agency Comments/Action

Transportation was in general agreement with the thrust of the report. The Coast Guard had plans to implement, or has already implemented, certain actions in response to the recommendations. With minor exceptions, the Department of Defense concurred with the findings of the report.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Analysis of Department of Defense Unobligated Budget Authority (PAD-78-34, 1-13-78)

Department of Defense

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Department of Defense Appropriation Act of 1978. P.L. 95-111.

Budget authority is the authority provided by law to enter into obligations which will result in outlays of Government funds. In the Department of Defense (DOD), budget authority is used to enter into contracts with defense contractors. DOD unobligated balances of budget authority for military activities grew from \$12.8 billion to \$34.5 billion during fiscal years 1972-76.

Findings/Conclusions: There was no evidence that the buildup in unobligated balances for DOD procurements represented an inability to perform functions. Excess obligational authority in DOD procurement programs could possibly be reprogrammed or used to fund future requirements. Despite the existence of excess funds, DOD has not implemented a process for systematic and regular reporting on the availability of excess funds. Over 90 percent of the \$5.5 billion increase in the unobligated total was due to program growth rather than an obligation rate decline. Among the reasons for the decline in obligation rates were: delays in awarding contracts, planning and production problems, reserves, funds withheld from program managers, congressional actions, better contract prices than budgeted for, staffing deficiencies, and invalid obligations. Through the 1972-76 period, the executive branch consistently underestimated DOD unobligated balances.

Recommendations to Congress: Congress should: (1) re-

quire that DOD provide historical and projected obligation rates and analyses of variances between estimated and actual rates in its budget requests; (2) give greater attention to the significant balances of budget authority carried over from year to year; (3) review the Office of Management and Budget's plan to strengthen analysis of DOD obligations; and (4) monitor the implementation of the practice of treating extensions of unobligated balances as new budget authority.

Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Director of the Office of Management and Budget should monitor the obligation rates reflected in the DOD obligation projections with a view toward identifying possible misestimates, getting changes made, and developing guidelines concerning estimating procedures.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should make certain that improvements in internal reporting provide for the systematic identification of amounts which have become excess to program funding requirements and that new policies and procedures provide for closer monitoring of obligation projections.

Status: No action initiated: Date action planned not known.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Opportunity To Reduce Cost of the Navy's Contract for Patrol Hydrofoil Missile Ships (PSAD-80-3, 10-18-79)

Departments of Defense and the Navy and Office of Management and Budget

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: P.L. 87-653.

A review of a Navy fixed-price contract found a contract price overstatement due to use of the ceiling price for a subcontract rather than the target price. The examination was part of a contract pricing review of contracts awarded to major Department of Defense (DOD) contractors with the objective of determining the reasonableness of contract price as it relates to pricing data available to the contractor at the time of contract negotiation.

Findings/Conclusions: The prime contractor used the established ceiling price for a sole-source, fixed-price, incentive-type subcontract rather than the target price as normally included on proposals. The project officer's representative felt that circumstances might warrant the use of a price other than the target price, and that in this case it was a prudent management decision as costs later approximated the ceiling price. GAO felt that the use of the ceiling price protects the contractor from sharing the cost overruns of its subcontractors, and removes incentives to manage subcontractors in a manner that assures cost minimization. Further, the contract requirements were reduced without a corresponding reduction in contract price. According to the contracting officer's representative, the items that will not be delivered were proposed as needed for testing, and delivery was not specifically required. While this is true, it is felt that the Navy should seek a price adjustment for parts no longer required.

Recommendations to Agencies: The Secretary of Defense should direct the contracting officer to consider the information presented herein and take appropriate action to adjust the contract targets for: (1) the cost overstatement resulting from Boeing's failure to obtain and furnish to the Government accurate, current, and complete cost or pricing data; and (2) an equitable credit resulting from the deletion of spare items that the contractor will not be required to deliver to the Navy.

Status: Action completed.

The Secretary of Defense should direct that guidance be issued on how incentive-type subcontract prices are to be included in incentive-type prime contracts.

Status: Action in process.

Agency Comments/Action

The Office of the Secretary of Defense (OSD) advised GAO on July 28, 1982, that the Navy did not believe that a price adjustment was justified because it knew of the amount of gear boxes to be produced at the time of the negotiations. OSD did not address the recommendation to include incentive-type subcontracts prices in incentive-type prime contracts in its response, but on November 2, 1982, OSD advised GAO that it had requested the Defense Acquisition Regulatory Council to consider the matter.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Air Force Should Recover Excess Costs of Prior F-15 Contracts and Take Action To Save Costs on Future F-15 Contracts

(PSAD-80-4, 10-24-79)

Departments Defense and the Air Force

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: P.L. 87-653.

A review was made to determine the reasonableness of the production material costs accepted by the Air Force Aeronautical Systems Division for the production of 108 F-15 and TF-15 aircraft. The fixed-price incentive contract was awarded in 1977 to McDonnell Douglas Corporation at a negotiated target price of \$789,053,670.

Findings/Conclusions: The target cost for the F-15 contract was overstated by about \$2.4 million because the contractor did not use current, accurate, and complete cost or pricing data for negotiated production material cost. Also, because the contractor's profit was added to this overstatement, it will result in about \$2.7 million excess cost to the Government, depending on whether the target is underrun or overrun.

Recommendations to Agencies: The Secretary of Defense should take action to assure that the Aeronautical Systems

Division considers the information presented, including any other information, and determine if the Government is entitled to a price adjustment.

Status: Action in process.

The Secretary of Defense should assure that the Aeronautical Systems Division reviews production material costs proposed by the contractor and accepted by the Air Force for the fiscal year 1978 acquisition to determine whether adjustment of the contract price is appropriate.

Status: Action in process.

Agency Comments/Action

This case is on the docket of the Armed Services Board of Contract Appeals (Case 25472). No date has been set for the hearing.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Reservation and Award of Section 8(a) Small Business Act Contracts to Arcata Associates (AFMD-81-33, 3-23-81)

Department of the Army and Small Business Administration

Budget Function: Automatic Data Processing (990.1)

Legislative Authority: Small Business Act (15 U.S.C. 637(a)), 13 C.F.R. 121.3-8(e), 13 C.F.R. 124.1, P.L. 95-507, 18 U.S.C. 1905.

GAO reviewed the reservation and award of Section 8(a) Small Business Act contracts to a firm to determine whether allegations made by a competing firm are valid and to what extent the management by the Small Business Administration (SBA) of the 8(a) program was deficient in this situation. GAO reviewed contract and 8(a) program files and conducted interviews to identify the process and procedures followed in qualifying the firm for the 8(a) and Pilot Programs and in reserving and awarding contracts involving the firm. GAO also reviewed applicable SBA rules and regulations and coordinated its efforts with the SBA Inspector General.

Findings/Conclusions: GAO believed that some of the allegations concerning the SBA reservation and award of contracts to the firm had merit. GAO found that the management by SBA of the firm's participation in the 8(a) program was deficient. Using its Pilot Program authority, SBA formally reserved an agency's requirement for the firm and in doing so halted the agency's attempt to procure its requirements through open competition. The contract was awarded to SBA, and the related subcontract was awarded by SBA to the firm. The protesting firm had won two prior contracts to perform the work. The protester argued that the award would be contrary to the statutory and regulatory competency requirements, the intent of the Pilot Program, and SBA eligibility standards and business plan requirements. GAO found that SBA awarded the contract to a firm that: (1) would provide a service unrelated to its capabilities as identified in its business plan or the experience of its principal or professionals; (2) was not evaluated for technical capability to perform as required by SBA procedures; (3) has not maintained its status as a small business because of the 8(a) awards it has received; (4) has received 8(a) support that is almost four times the approved amount under SBA procedures; (5) was allowed to select contract requirements and then change its business plan to reflect the capabilities

required by the selected contract; and (6) has not maintained a reasonable balance between 8(a) and non-8(a) sales.

Recommendations to Agencies: The Administrator of the Small Business Administration (SBA) should take appropriate action to ensure that all assistance to 8(a) firms complies with applicable statutory and regulatory authority and agrees with established SBA procedures.

Status: Action completed.

The Administrator of the Small Business Administration should actively pursue the effort, promised in 1979, to insure that better and more specific economic eligibility criteria are produced at the earliest possible date.

Status: Action in process.

The Administrator of the Small Business Administration should thoroughly review the Arcata case with his Inspector General and determine whether Arcata's status and performance of this contract are consistent with established criteria and if not, whether termination of the contract and/or removal from the program are warranted.

Status: Action completed.

Agency Comments/Action

On April 17, 1981, the DOD Director of the Office of Small and Disadvantaged Business Utilization wrote GAO that the Office concurs with the findings, conclusions, and recommendations as stated in the report. On February 24, 1982, the Acting Administrator of SBA wrote that action had been taken on all of the recommendations and cited several exceptions to the GAO findings. Among other exceptions, it was noted that: (1) it is not necessary for Arcata to already have on-board all technical employees at contract award; (2) SBA, in reality, relies heavily upon the capability determinations of the procuring agencies; and (3) at the inception of the contract, Arcata was a small business.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Navy Tactical Computer Development--Limited Competition and Questionable Future Software Savings (MASAD-81-28, 5-15-81)

Department of Defense and the Navy

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

GAO was requested to report on the Navy's program for development of new tactical computers. Concern was expressed as to whether the Navy obtained maximum competition and provided for the early phase in of the new Department of Defense standard computer programming language, Ada. The objectives of the review were to determine: (1) why the Navy did not get more than two manufacturers to make offers on the AN/UJK-43 and AN/UJK-44 development; (2) if and how well the Navy can implement Ada; and (3) what the Navy needs to do in the future to enhance competition and Ada effectiveness.

Findings/Conclusions: Competition for the AN/UJK-43 and AN/UJK-44 computers was limited. GAO believes that the Navy made a concerted effort to get companies to make offers on the computers the Navy specified, as evidenced by continued industry participation in various project stages. However, limited competition resulted for a number of reasons. Many U.S. computer manufacturers prefer more latitude to determine how to meet a customer's needs than the Navy allowed in its proposals. The Navy will be able to convert to Ada and plans to use Ada for new weapon systems programs and major upgrades. However, the consensus of the industry representatives is that the Navy will not be able to obtain anticipated Ada software economies because the instruction set architectures specified are not suited to Ada. The Navy defined these specified architectures to obtain further benefits from software expenditures. The current

Navy computers are becoming inadequate. Increased requirements for new weapons system applications necessitate new computers to maintain a high level fleet capability. The Navy has begun to develop a concept for replacement of the computers. Their objectives are increased competition and faster technology infusion.

Recommendations to Agencies: The Secretary of the Navy should employ a concept which states Navy needs with minimum technological constraint and evaluates companies' attempts to prove their ability to provide needed equipment which is viable and cost beneficial, when planning for the follow-on generation of computers to replace the AN/UJK-43 and AN/UJK-44.

Status: No action initiated: Date action planned not known.

The Secretary of the Navy should convert to Ada on a program by program basis in present systems whenever conversion becomes cost beneficial versus maintaining the existing software base and adopting Ada for new programs and major upgrades only.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

The Navy did not concur that it cannot achieve the cost benefits of Ada using the AN/UJK 43/44 computers. It did not concur with the conclusions that the AN/UJK 43/44 computers will have obsolete Instruction Set Architecture.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Navy Can Reduce the Cost of Ship Construction If It Enforces Provisions of the Contract Escalation Clause (PLRD-81-57, 8-24-81)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

A review was conducted of the procedures and practices that Navy shipbuilding contractors use to compute material escalation costs on fixed-price incentive contracts which contain the cost index material escalation clause. The objective of the review was to determine if Navy contractors were computing escalation costs as specified in the contract clause.

Findings/Conclusions: Four of the five contractors reviewed were not correctly interpreting and applying the cost index clause. The contractors were overstating the escalation costs by delaying the computation of escalation. As a result, cost indexes for subsequent periods were being applied to costs incurred and invoiced during earlier periods. Contractors would thus receive an estimated \$2.4 million in excess payments for escalation costs.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Navy to: (1) recover material escalation overpayments caused by the contractors' failures to compute escalation costs based on invoice re-

ceipt dates; and (2) revise the cost index material escalation clause to include full amounts of all billings received from subcontractors, including retention on any progress payments made, regardless of whether such retention is shown on the bill.

Status: Action in process.

Agency Comments/Action

Concerning the recommendation that the contracting officer should take action to recover material escalation payments, the Navy investigated and concluded that overpayments will be recovered by the completion of the contract without any further extraordinary action. In regard to the recommendation to revise the cost escalation index, the Navy has extended the completion date for action to October 1982. GAO is scheduled to follow up in December 1982 as to whether the action was completed.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Pension Losses of Contractor Employees at Federal Institutions Can Be Reduced (HRD-81-102, 9-3-81)

Departments of Defense, the Army, Energy, and Labor, Office of Management and Budget, and National Aeronautics and Space Administration

Budget Function: Income Security (600.0)

Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Employee Retirement Income Security Act of 1974 (29 U.S.C. 1000).

In response to congressional concern about the pensions of employees working on Government service contracts and the fringe benefits of service contract employees, GAO reviewed the benefits in question.

Findings/Conclusions: There is no Government-wide policy regarding whether, or to what extent, Federal agencies should attempt to protect the pension benefits of contractor employees working at Federal installations. Although most workers on Federal service contracts that GAO reviewed were covered by pension plans, many had lost pension benefits because their employers had changed even though their jobs had not. Most service contract employees were not working for the same employer long enough to become vested employees with a nonforfeitable right to pension benefits. Earlier or immediate vesting could help improve employees' pension benefits. However, reducing the time required to vest would increase costs and reduce benefits to long-term employees. Further, this would not necessarily assure retirement benefits because employers may pay terminating employees a lump-sum equivalent of future pension benefits, and such payments may be spent rather than saved for retirement. For the major operating contracts that GAO reviewed, in most cases, the same contractors had been operating the facilities for long periods of time. Even when the contractors changed, employees' pensions were protected.

Recommendations to Congress: If Congress determines that the pension benefits of contractor employees who work for long periods of time at Federal installations should be protected, it is recommended that Congress direct the Administrator for Federal Procurement Policy to establish a

Government-wide policy and implementing regulations to help ensure such protection.

Status: No action initiated: Date action planned not known.

The Department of Energy's pension protection arrangements, which emphasize pension portability and discourage lump-sum payments in lieu of future retirement benefits, provide a good model for a Government-wide policy. To minimize administrative problems, if a Government-wide policy is established, it should be limited to relatively large negotiated contracts where a long-term need for future services is foreseen.

Status: No action initiated: Date action planned not known.

To ensure that any policy and regulations developed are consistent with congressional intent, the Congress could establish oversight provisions.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

The agency responding (NASA) had two basic concerns with the recommendations. It questioned whether the type of pension problem identified by GAO can be resolved equitably through the issuance of Federal procurement policy alone. NASA also was concerned about the lack of hard economic data covering the potential impact of such policy on Federal procurement costs. The agency stated that this complex and important subject should be approached with caution pending completion of the type of cost study that would permit a more objective and meaningful dialogue than is presently possible.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Actions Needed To Reduce Schedule Slippages and Cost Growth on Contracts for Navy Ship Overhauls (PLRD-82-29, 3-17-82)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

GAO was requested to evaluate the Navy's system for developing contract work specifications packages and its ship overhaul improvements programs.

Findings/Conclusions: GAO found that the Navy has instigated numerous initiatives to improve contracting for surface ship overhauls. However, progress in meeting overhaul schedules and in reducing contract cost growth has been slow, partly because of a lack of total system coordination and commitment to the initiatives. The Navy's system for managing ship overhauls is fragmented. As a result, expertise on each ship is dissipated among the various entities, and no one appears to be coordinating each overhaul. Under this method of operation, it is difficult for the Navy to provide key management functions which are essential for consistently ensuring effective overhauls. In contrast, the Military Sealift Command (MSC) and commercial carriers essentially use a single individual, a port engineer, to manage and coordinate the planning and accomplishment of ship overhauls. Despite the Navy's apparent positive opinion of the port engineer concept and the success that commercial carriers and MSC have had with it, the Navy seems to be proceeding with the concept slowly. GAO believes that the port engineer concept provides for significant improvements in overhaul effectiveness by concentrating expertise and responsibility. The Navy's use of formal advertising also inhibits the effectiveness of ship overhauls. The Navy has conducted numerous tests of contracting alternatives and appears to be moving in the right direction toward improving its methods.

Recommendations to Agencies: The Secretary of Defense should direct the Navy to intensify ship maintenance management by concentrating ship maintenance expertise and overhaul responsibilities in managers similar to port engineers. Their responsibilities should include managing the planning and development of cost-effective overhaul work

packages.

Status: Action in process.

The Secretary of Defense should direct the Navy to intensify ship maintenance management by concentrating ship maintenance expertise and overhaul responsibilities in managers similar to port engineers. Their responsibilities should include making decisions on the scope and need for overhaul contract changes to sustain overhaul cost effectiveness.

Status: Action in process.

The Secretary of Defense should direct the Navy to intensify ship maintenance management by concentrating ship maintenance expertise and overhaul responsibilities in managers similar to port engineers. Their responsibilities should include providing feedback on problems encountered during overhauls and explaining variances from effective overhauls and lessons learned for future consideration.

Status: Action in process.

The Secretary of Defense should direct the Navy to intensify ship maintenance management by concentrating ship maintenance expertise and overhaul responsibilities in managers similar to port engineers. Their responsibilities should include developing and sustaining technical expertise and knowledge of a ship's characteristics, design, and ongoing material condition.

Status: Action in process.

Agency Comments/Action

The Assistant Secretary of the Navy (Shipbuilding and Logistics) stated that the Navy generally agrees with the technical responsibility of the port engineers and is moving as rapidly as practical with implementation of the port engineer concept.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Teleprocessing Services Contracts for the Support of Army and Navy Recruitment Should Be Recompeted (AFMD-82-51, 3-24-82)

Departments of the Army and the Navy, and General Services Administration

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: OMB Circular A-121.

In response to a congressional request, GAO investigated the conditions that led to the award of teleprocessing services contracts to support the Army and Navy recruiting efforts and determined whether these contracts should be immediately recompeted.

Findings/Conclusions: Both services acquired the teleprocessing services from the same contractor efforts and both are experiencing high cost overruns. The Army's initial cost projection of \$8.5 million for the life of the contract currently projects a cost of about \$120 million, and the Navy's initial cost projection of \$524,000 now projects a cost of about \$13 million. Both services used benchmarks to evaluate the proposals, and neither benchmark adequately represented the actual workload subsequently placed on the system. As a result, the benchmarks were a poor indication of system life costs. Computer resources used by both the services greatly exceeded the amount anticipated. Because the contractor submitted an unbalanced proposal in which commercial rates were charged for teleprocessing services beyond the projected level, both services incurred costs beyond those expected. Further, the lack of appropriate management controls has contributed to the problem of excessive costs. The Army's workload projection did not include the support of some recruiting and reenlistment activities outside the United States, an increased number of users accessing the system at the same time, and a planned addition to the system. Although the number of Army enlistments decreased by 18 percent, the cost for teleprocessing services almost tripled. The Navy underestimated the number of users accessing the system at the same time and used a benchmark that did not represent the system's programs and transactions. While Navy enlistments have increased by 3 percent, the cost for teleprocessing services had doubled.

Recommendations to Agencies: The Secretary of the Army

should direct the program managers to expeditiously reduce costs by eliminating nonpriority usage and improving operational efficiency.

Status: Action completed.

The Secretary of the Navy should take steps to immediately recompete, including the development of a new benchmark, for the teleprocessing services now provided by the Boeing Computer Services Company.

Status: Action in process.

The Secretary of the Navy should direct the program managers to expeditiously reduce costs by eliminating nonpriority usage and improving operational efficiency.

Status: No action initiated: Date action planned not known.

The Secretary of the Navy should institute appropriate management controls over the usage of the computer systems through the operating expense budgets of the users by distributing the costs of teleprocessing according to the service received.

Status: No action initiated: Date action planned not known.

The Secretary of the Army should take steps to immediately recompete, including the development of a new benchmark, for the teleprocessing services now provided by the Boeing Computer Services Company.

Status: Action in process.

The Secretary of the Army should institute appropriate management controls over the usage of the computer systems through the operating expense budgets of the users by distributing the costs of teleprocessing according to the service received.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

DOD agreed to recompete the contracts and institute management controls.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Contracting for Support Services and Competitive Procurement Practices at the Navy's Pacific Missile Test Center, Point Mugu, CA
(PLRD-82-126, 9-28-82)

Department of the Navy

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: OMB Circular A-76.

In response to a congressional request, GAO investigated contracting practices at the Pacific Missile Test Center (PMTC). It was alleged that the Navy had not complied with Office of Management and Budget (OMB) Circular A-76 by failing to make cost comparisons to determine whether performance of functions by contract or by Government employees was more economical. It was further alleged that support service contracts had been awarded without following competitive bid procedures.

Findings/Conclusions: A data processing service center operation previously performed by Government employees was converted to a contractor operation. Since the center was a new organization, the agency considered this to be a new start not requiring a cost comparison. However, as OMB Circular A-76 defines conversion as a transfer of work, this was a conversion, and the cost comparison should have been made. The agency also neglected to conduct a cost comparison on a planned conversion of additional data processing service center functions. Installation of new range display and target control systems had not involved a conversion to contractor performance; therefore, a cost comparison was not required in this case. Two of the five support service contracts which GAO reviewed had been awarded on the basis of adequate price competition. Two other contracts had been awarded on a sole-source basis that was justified by the facts and circumstances in those cases. One contract awarded on a sole-source basis was

questionable, since the agency had not assessed in-house capability to do the work and no effort had been made to identify other qualified sources. Three of the five contracts had been extended beyond the original completion dates. Because of inadequate advance procurement planning, competitive solicitations were not made for follow-on contracts. Therefore, the benefits of price competition were not realized.

Recommendations to Agencies: The Commander, PMTC, should defer the award of the data processing service center facilities management contract scheduled for October 1, 1982, until the required cost comparison is made in accordance with OMB Circular A-76. In addition, he should monitor the recently promulgated procedure designed to insure compliance with OMB Circular A-76 to see that it is effectively implemented.

Status: No action initiated: Date action planned not known.

The Commander, PMTC, should monitor the new reporting procedure to preclude the necessity of requesting contract extensions to see that it is effectively implemented.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

The recommendations were made to the base commander. No 236 response is required. As of November 30, 1982, GAO was still awaiting response from the base commander as to actions taken on the recommendations.

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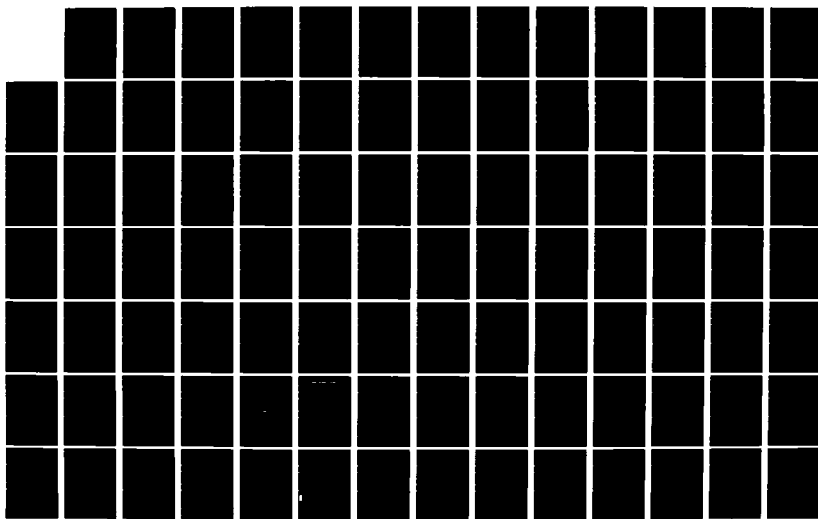
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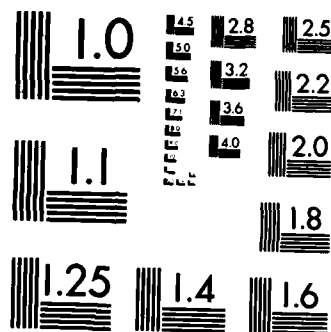
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DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Air Force Teleprocessing Services Procurement for the COPPER IMPACT System Should Be Reopened
(AFMD-82-112, 9-30-82)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: F.P.R. 1-4.1209.

GAO reviewed the Air Force's COPPER IMPACT contract which was awarded to Boeing Computer Services Company in 1982. This report is part of a congressionally requested review of teleprocessing services contracts awarded by Federal agencies.

Findings/Conclusions: GAO found that teleprocessing services provided by this contract could cost the Government far more than estimated because of the contract's unbalanced pricing structure which allows the cost to increase disproportionately, or the discount to decrease, as the level of use increases. GAO believes that the problem created by unbalanced pricing was compounded by the fact that the Air Force did not use a representative system workload for the benchmarking test and that actual use may exceed expected use. GAO also believes that this contract violates

procurement regulation and that contract costs will escalate far beyond Air Force estimates. GAO concluded that the Air Force can obtain more accurate system-life costs and can save the Government money by adjusting its workload estimates and reopening this procurement.

Recommendations to Agencies: The Secretary of the Air Force should terminate the COPPER IMPACT contract for the convenience of the Government.

Status: No action initiated: Date action planned not known. The Secretary of the Air Force should require benchmark and workload estimate revisions, to incorporate potential data base management system use, and reopen the procurement to receive a new, best and final proposal from each of the original, technically qualified vendors.

Status: No action initiated: Date action planned not known.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Economic and Operational Benefits in Local Telephone Services Can Be Achieved Through Government-Wide Coordination

(LCD-80-9, 11-14-79)

Departments of Defense, Agriculture, Commerce, Energy, Health and Human Services, Education, the Interior, Labor, State, Transportation, the Treasury, and Justice, General Services Administration, National Aeronautics and Space Administration, and National Telecommunications and Information Administration

Budget Function: Multiple Functions: Telecommunications and Radio Frequency Spectrum Use (Civilian-Related) (999.1)

Legislative Authority: Federal Property and Administrative Services Act of 1949 (40 U.S.C. 481). F.P.M.R. subchapter F, 101-37.

Twelve Federal departments and agencies spend at least \$219 million annually for local telephone services. Significant savings and improved operations could be achieved by consolidating and modernizing these services. A few consolidations and modernizations have been made, but not on a coordinated Government-wide basis.

Findings/Conclusions: Several studies have been made of the feasibility of consolidating Government local telephone services in specific metropolitan areas. They have demonstrated potential economic and operational benefits. However, some government agencies have been independently planning modernizations without considering the needs of other Federal organizations in the vicinity. The Government needs to establish policies, guidelines, and procedures for consolidating on a coordinated Government-wide basis. The General Services Administration has responsibility for providing communications services for the agencies, but often delegates this authority to the agencies. Lack of coordination and cooperation between the agencies and the General Services Administration has led to inaction.

Recommendations to Agencies: The Director of the Office of Management and Budget should solicit recommendations from the National Telecommunications and Information Administration concerning policies for coordinating, establishing, operating, procuring, and managing Govern-

ment-wide consolidation and modernization of local telephone services. A policy should be developed and promulgated for a local telephone service program that: (1) requires consolidation and modernization on a coordinated Government-wide basis where economically and operationally beneficial; (2) assigns organizational responsibilities; (3) directs the development of implementing guidelines, procedures, and/or standards; and (4) defines a system for reporting on progress.

Status: Action in process.

Agency Comments/Action

OMB agreed with the potential for the reported savings through consolidation of Government local telephone services. OMB issued broad guidance concerning procurement, management, and utilization of Government voice telecommunications, which would include local telephone services. GSA has been directed to assist OMB in this endeavor. With OMB support, GSA has the authority and responsibility to undertake consolidation of local services if it is in the best interests of the Government. DOD and GSA have agreed to establish a program for consolidating local services in major metropolitan areas.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

DOD Instruction 5000.5X, Standard Instruction Set Architectures for Embedded Computers
(MASAD-82-16, 1-27-82)

Department of Defense

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: DOD Instruction 5000.5X.

Acting on a congressional request, GAO reviewed the Department of Defense (DOD) plans to implement proposed DOD Instruction 5000.5X, a plan to curtail high costs resulting from support costs in the field. The proposed instruction would limit the number of architectures used for computer hardware and software design and development and would require ownership of standard architectures for military-embedded computers.

Findings/Conclusions: Evaluation of the proposed instruction raised some serious issues that challenged its validity in the timeframe of the 1980's. Some of the more salient points for consideration were that: (1) aggressive pursuit of a standard high-order language could alleviate the software proliferation problem; (2) recent advances in computer technology have reduced the need for extensive support; (3) improved competition using militarized versions of commercial computers will open up competition to many firms that would not bid on specifications with DOD-owned architectures; (4) DOD ownership of architectures would seriously inhibit competition and therefore DOD would run the risk of getting locked into obsolete architectures; (5) architecture standardization would inhibit the efficient utilization of the new DOD programming language Ada and it will not be able to fully capitalize on the anticipated software

cost savings Ada was designed to yield. GAO concluded that DOD could accomplish its objectives more effectively through exploitation of advances made with high-order language standardization and related hardware technology. Implementation of Instruction 5000.5X would preclude the DOD ability to make use of current and anticipated advances in software and related hardware technology.

Recommendations to Agencies: The Secretary of Defense should not implement Instruction 5000.5X.

Status: Action in process.

The Secretary of Defense should direct the services to reevaluate their ongoing efforts and demonstrate why they are more cost effective than standardizing on a high-order language such as Ada and relying on the computer industry to provide the stimulus for computer architectural innovations.

Status: Action in process.

Agency Comments/Action

DOD disagrees with the conclusions and recommendations. The agency's response was evaluated in a letter dated May 24, 1982, to the Chairman of the House Government Operations Committee.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Consolidated Space Operations Center Lacks Adequate DOD Planning (MASAD-82-14, 1-29-82)

Departments of Defense and the Air Force, General Services Administration, and National Aeronautics and Space Administration

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Aeronautics and Space Act (P.L. 85-568). Department of Defense Reorganization Act of 1958 (P.L. 85-599). P.L. 96-226. DOD Directive 5160.32. DOD Directive 7920.1. DOD Directive 7920.2. Presidential Directive 37. Presidential Directive 42. OMB Circular A-109.

GAO was requested to evaluate the planning and development approach for the Department of Defense (DOD) Consolidated Space Operations Center (CSOC). Specifically, GAO provided information on the: (1) evolution of evaluation criteria and inconsistencies in their application; (2) unique operational and organizational factors bearing on final site selection; (3) possible legal ramifications of the manner in which State of Colorado land is being procured for CSOC use; (4) viable alternatives to the currently planned site construction, including a recommendation of the most cost-effective alternative; and (5) other potential cost savings related to this project which might be available to the Air Force.

Findings/Conclusions: Although GAO found weaknesses that would make the site selection methodology questionable, GAO believes that the site finally selected is technologically acceptable and has no recommendation for a better alternative location. DOD, while given the overall responsibility for military operations in space, has failed to designate a single manager who would provide clear and authoritative guidance. Instead, DOD has delegated authority and responsibility in such a manner that a large number of organizations now have operational planning and control of individual space programs. This could result in future duplication of assets and operational conflicts. The Air Force has the responsibility only for the development of CSOC. GAO found that it is following vague policy guidance and a developmental approach hastily implemented to achieve only short-term objectives. Further, GAO found that the Air Force deviated from standard development and procure-

ment procedures. CSOC planning is in its formative stages, lacks order and direction, and is being done by several organizations. This may result in cost overruns, schedule slippages, and ultimately in less than the required capability. Because of its hastily developed implementation plan, the Air Force has not adequately explored cost savings alternatives. The inclusion of other satellite control facilities, by functionally integrating them into CSOC, could effect substantial savings. In addition, GAO believes that significant cost savings are available by incorporating the Space Defense Operations Center into CSOC.

Recommendations to Agencies: The Secretary of Defense should take immediate action to designate a single manager for the management of military space development and operation.

Status: No action initiated: Affected parties intend to act.

The Secretary of Defense should take immediate action to direct that the manager prepare an overall plan for the military exploitation of space. Included in this plan should be consideration of an interim Satellite Operations Complex in Colorado Springs, with a follow-on CSOC at such time as adequate planning is completed for a fully functional integrated system. Also, the CSOC implementation plan should be supported by an adequate cost-benefit analysis.

Status: No action initiated: Affected parties intend to act.

Agency Comments/Action

The agency did not take any immediate action.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Proposed Program for New 9-mm Handguns Should Be Reexamined (PLRD-82-42, 3-8-82)

Departments of Defense, the Army, the Navy, and the Air Force, United States Marine Corps, and United States Coast Guard

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Pursuant to a congressional request, GAO examined the Department of Defense's (DOD) decision to standardize its inventory of sidearms by purchasing all new, semiautomatic 9-mm pistols. GAO also looked at the feasibility of converting the current inventory of pistols to use 9-mm ammunition.

Findings/Conclusions: In response to congressional interest in standardizing handguns to save money on logistics and maintenance costs, DOD undertook a study to determine what handguns would meet service requirements and whether the United States should adopt the North Atlantic Treaty Organization (NATO) standard 9-mm cartridge. The study recommended a procurement program to acquire a new, single family of sidearms which use NATO standard ammunition. DOD rejected the ideas of either converting the existing inventory of .38-caliber revolvers and .45-caliber pistols to use 9-mm ammunition or of continuing to use the present mix of sidearms, because the pistols under consideration offer more features. However, only the Marine Corps and the Coast Guard expressed an interest in the new pistols, while the other forces indicated that the new sidearm would not be a major improvement over current sidearms. The cost of this procurement over the next 20 years would be about \$133 million more than the cost of continuing to use the present mix of sidearms. In addition, most of the current inventory of sidearms are serviceable, and it is not yet clear how expensive the NATO standard ammunition will be. GAO also found that converting .45-caliber pistols is a potentially less costly means of switching to the 9-mm cartridge. Considering these factors, GAO believes that a large-scale program to replace military sidearms is questionable. Subsequent to the completion of

this study, DOD advised that it is reassessing its requirements and canceling the proposed procurement.

Recommendations to Agencies: The Secretary of Defense should reexamine the new 9-mm handgun program. Such a reexamination should consider all cost-effective options that can meet valid military requirements. For example, if standardization on NATO 9-mm ammunition remains the dominant requirement, it may be possible, over time, to convert existing .45-caliber pistols, as they go through needed depot overhaul to a 9-mm configuration. Ultimately, those pistols that cannot be economically converted should be replaced with new 9-mm pistols.

Status: Action in process.

Agency Comments/Action

Regarding the GAO opinion that modification of the existing .45-caliber handgun to utilize 9-mm ammunition is a viable, less costly option, DOD said that: "While this might be possible in some cases, the reality of the overall situation is that the cost of conversion, together with the refurbishment/repair, would be comparable to the price anticipated for a new 9-mm handgun. As a result, this type of conversion is not a viable option." The House and Senate Armed Services Committee reports of April 13, 1982, (97-482 and 97-330, respectively) deleted all funds for procurement of 9-mm handguns in the DOD authorization for fiscal year 1983. On June 12, 1982, DOD advised GAO that it has decided to proceed with the acquisition of a 9-mm handgun. On July 7, 1982, GAO sent a letter to DOD rebutting statements made in its May 27, 1982, response to the report.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Agreement Needed on DOD Guidelines for Exempting Certain ADP Equipment and Service Procurements From the Brooks Act (GGD-82-52, 3-17-82)

Department of Defense and Office of Management and Budget

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511; 44 U.S.C. 3501 et seq.). Automatic Data Processing Equipment Act (P.L. 89-306). Budget and Accounting Act. Property and Administrative Services Act. Department of Defense Authorization Act, 1982 (P.L. 97-86; 10 U.S.C. 2315).

GAO was asked to provide a complete and comprehensive list of activities within the Department of Defense (DOD) that would remain covered by the Paperwork Reduction Act and the Brooks Act in view of the language exempting certain procurements of automatic data processing (ADP) equipment and services contained in the fiscal year 1982 DOD Authorization Act.

Findings/Conclusions: GAO found that the DOD Authorization Act modifies the coverage of other legislation by exempting certain DOD procurements of ADP equipment and services. In addition to the general exemption concerning equipment and services critical to direct fulfillment of military or intelligence missions, the Authorization Act exempts DOD procurements of ADP equipment or services if the function, operation, or use of the equipment or services involves: (1) intelligence activities; (2) cryptologic activities related to national security; (3) the command and control of military forces; and (4) equipment that is an integral part of a weapon or weapons system. Further analysis is needed to identify those command and control applications which should be exempt and those which are relatively routine and should be included under the Brooks Act. A general exemption for the Brooks Act provides for procurement of ADP equipment and services which is critical to the direct fulfillment of military intelligence missions. The Brooks Act coverage was not affected by the Paperwork Reduction Act. GAO reviewed the guidelines for applying the exemptions in the Authorization Act. The guidelines emphasize the need for competition in the procurement process. They provide a broad exemption for command and control systems. Also, the guidelines for determining the category labeled

critical to the direct fulfillment of military or intelligence missions appear to be too broad and need to be described in precise terms. GAO believes that DOD should obtain formal agreement from other agencies on the guidelines.

Recommendations to Agencies: The Secretary of Defense should obtain formal agreement from the Office of Management and Budget (OMB) and the General Services Administration (GSA) on the guidelines for determining which proposed DOD automatic data processing equipment and service procurements are exempt under the 1982 DOD Authorization Act and those which remain subject to the Brooks Act.

Status: Action in process.

The Director of OMB should monitor and oversee DOD implementation of the guidelines in conjunction with OMB budget review and the related review of all agencies' 5-year ADP acquisition plans and the Five-Year Defense Plan; and OMB, with the advice and assistance of GSA, should monitor implementation of the guidelines through its triennial reviews under the Paperwork Reduction Act.

Status: Action in process.

Agency Comments/Action

DOD issued an interim direction on February 1, 1982, and established a working group of senior DOD personnel to develop revised DOD-wide guidelines. DOD also initiated informal discussions with OMB and GSA to obtain their advice and assistance regarding the revised implementation guidelines. OMB officials told GAO that the guidelines had not been finalized as of December 9, 1982, although it believed an agreement had been reached on the guidelines' content.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Agency Implementation of Cost Accounting Standards: Generally Good but More Training Needed (PLRD-82-51, 3-24-82)

Departments of Defense and Energy and National Aeronautics and Space Administration

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: 4 C.F.R. 3. P.L. 91-379. D.A.R. App. O. DOD Instruction 5126.45.

GAO examined how certain agencies are implementing cost accounting standards which must be observed in both existing and future negotiated national defense contracts.

Findings/Conclusions: The Departments of Defense and Energy and the National Aeronautics and Space Administration (NASA) have developed generally adequate internal organizations to implement the standards. In addition, interagency organizations have been established to ensure the necessary cooperation among the agencies in implementing the standards. While new standards are no longer being promulgated, continuing implementation problems require that some organizational structure be retained to resolve these problems, to provide guidance in the area of cost measurement, and to ensure a uniform approach toward the standards and cost measurement in general. Agencies have generally made the standards, rules, and regulations available to their field offices in a timely manner. However, GAO found much duplication in the distribution and reproduction of this material which could be eliminated by using a single page reference to the Code of Federal Regulations to publish the cost accounting standards requirements. Some agencies involved in the procurement process should improve their cost accounting standards training process. This training should be required of all procurement personnel who will be involved with national defense contracts, and advanced training should be made available to personnel designated as experts. The formal recognition of experts and the prescription of appropriate training programs are matters needing further attention. The quality of information in the Federal procurement data bank needs improvement since it contains errors regarding cost accounting standards clauses.

Recommendations to Agencies: The Secretaries of Defense and Energy and the Administrator of NASA should eliminate appendix O of the Defense Acquisition Regulations or

comparable agency procurement regulation appendixes and insert one page citing Title 4, Chapter III of the Code of Federal Regulations as a source of reference for the cost accounting standards. The need to reprint all of the standards in the relevant procurement regulations could thus be avoided.

Status: Recommendation no longer valid/action not intended. *DOE states that it is in compliance with the recommendation. DOD does not agree with the recommendation. NASA agrees with DOD, but "will not follow the DOD lead."*

The Secretaries of Defense and Energy and the Administrator of NASA should require cost accounting standards training as part of the entry-level training for all series GS 1102 contract management and procurement personnel who will be involved with national defense contracts.

Status: Action in process.

The Secretaries of Defense and Energy and the Administrator of NASA should provide advanced training, such as a 2-week training course in cost accounting standards, to administrative contracting officers charged with the responsibility of dealing with cost accounting standards issues.

Status: Action in process.

The Secretaries of Defense and Energy and the Administrator of NASA should strengthen their internal controls to increase the accuracy and reliability of contract data recorded on forms currently sent to the Federal Procurement Data Center.

Status: Action in process.

Agency Comments/Action

The agencies concur overall and have initiated actions to comply with the recommendations. These actions are of a continuous nature with no completion date as such.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Establishing Goals for and Subcontracting With Small and Disadvantaged Businesses Under Public Law 95-507 (PLRD-82-95, 6-30-82)

Department of Defense, General Services Administration, Small Business Administration, and Office of Federal Procurement Policy

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: P.L. 95-507.

In response to a congressional request, GAO reviewed the small and disadvantaged business subcontracting program under Public Law 95-507, which essentially requires that all Government contracts in excess of \$500,000, or \$1 million for construction contracts, contain a contractor's plan for subcontracting with small and disadvantaged businesses. In addition, GAO reviewed agency procedures for establishing small business prime contracting and subcontracting goals.

Findings/Conclusions: GAO found that contracting officers are generally obtaining subcontracting plans. However, Department of Defense (DOD) contracting officers did not require 18 prime contractors to submit such plans. Of these, two contractors were granted exemptions because of longstanding contractual relationships with their suppliers. This exemption is allowed by Defense Acquisition Regulations (DAR). Small Business Administration (SBA) determinations that subcontracting plans were not acceptable were questionable for 23 of the 161 cases reviewed. In addition, cases which SBA considered unacceptable are acceptable when reviewed using DAR guidance. SBA determinations that some prime contractors did not comply with subcontracting plans were valid. However, SBA did not always send contract administrators its determination reports. Because SBA did not attribute contractors' failure to achieve plans to a lack of good faith, contracting officers took no adverse actions against the contractors. DOD and the General Services Administration (GSA) used sound estimating procedures and methodology in establishing small business prime contracting goals. Likewise, the DOD small and disadvantaged business subcontracting goals were soundly based. However, because of unclear guidance, the GSA small and disadvantaged business subcontracting goals for fiscal years 1981 and 1982 did not consider subcontracting opportunities for prime contractors under \$500,000.

Recommendations to Agencies: The Secretary of Defense and the Administrator of the Office of Federal Procurement Policy (OFPP) should resolve the differences between OFPP policy and the DAR on prime contractors' responsibilities when subcontractors are required to submit plans for contracting with small and disadvantaged businesses.

Status: Recommendation no longer valid/action not intended. *DOD states that (1) there is no statutory requirement for subcontractors to submit their subcontracting plans for a prime contractor's approval nor for the prime contractor to approve the subcontractor's subcontracting plans, and (2) both the DAR and law require that the prime must give assurances that the subcontractor will a-*

dopt a plan.

The Administrator of OFPP and the Secretary of Defense should resolve the differences between OFPP policy and the DAR on prime contractors' responsibilities when subcontractors are required to submit plans for contracting with small and disadvantaged businesses.

Status: Action in process.

The Secretary of Defense and the Administrator of OFPP should resolve the differences between OFPP and the DAR on whether contractors can be exempted from submitting plans when they have longstanding contractual relationships with their suppliers.

Status: Recommendation no longer valid/action not intended. *DOD states that this report did not identify the procurements in question; it is unable to determine if the guidance provided in DAR 1-707.3(d) was properly applied in those procurements. In view of these circumstances, DOD does not intend to take action. GAO feels that this response is inadequate and is contacting DOD on this matter.*

The Administrator, SBA, should clarify guidelines on the dollar value of prime contracts that should be included in establishing small and disadvantaged business subcontracting goals.

Status: Action in process.

The Administrator of OFPP and the Secretary of Defense should resolve the differences between OFPP policy and the DAR on whether contractors can be exempted from submitting plans when they have longstanding contractual relationships with their suppliers.

Status: Action in process.

The Administrator, SBA, should make certain that final non-compliance reports are sent to contract administration officers.

Status: Action in process.

Agency Comments/Action

SBA prepared SOP 60-03, Subcontract Assistance Program, requiring that notification of findings of noncompliance be addressed and forwarded to the administrative contracting officer of the agency that awarded the contract(s) concerned. SBA has not yet clarified its guidelines on the dollar value of prime contracts that should be included in establishing subcontracting goals to GAO satisfaction. OFPP requested that DOD delete DAR 1-707.3(d) which stipulates that the existence of subcontracting possi-

bilities may be affected by potential contractors' longstanding contractual relationships with suppliers. OFPP stated that P.L. 95-507 and OFPP Policy Letter 80-2 do not address this exemption; it is currently in the process of discussing the problem with DOD in order to resolve this issue. OFPP and DOD have not yet resolved the difference in coverage regarding prime contractors' responsibilities when subcontractors must submit plans. DOD does not intend to take action in either case.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

SBA's Breakout Efforts Increase Competitive Procurements at Air Logistics Centers (PLRD-82-104, 8-2-82)

Departments of Defense and the Air Force and Small Business Administration

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Small Business Act. P.L. 95-507.

Pursuant to a congressional request, GAO reviewed: (1) areas within the Department of Defense acquisition system where the breakout technique could be used more effectively; and (2) efforts by the Small Business Administration's (SBA) breakout Procurement Center Representatives (PCR) in seeking new competitive contracting opportunities.

Findings/Conclusions: Component breakout occurs when a component which was used in the manufacture, modification, or repair of an end product and which was provided initially under a prime contract is later purchased by the Government through either competition or direct purchase from the manufacturer. SBA offices at the four air logistics centers (ALC) which GAO reviewed reported almost 300 breakout actions and associated savings of more than \$7 million during fiscal years 1980 and 1981. However, GAO questioned the methodology and rationale SBA used to estimate some of these savings. The SBA guidelines for computing savings were not always followed and did not always provide clear and complete guidance on performing the computations. Many of the constraints which have hampered the ALC breakout efforts have also hampered the SBA breakout efforts. SBA breakout efforts have contributed significantly to the Air Force breakout program by developing valuable information for improving the procurement procedures for many spare parts. GAO stated that the breakout program is most effective when needed technical data are obtained as part of the initial procurement package. Despite the lack of technical data, SBA breakout efforts have resulted in savings that are large relative to program

costs. SBA may be saving the Government more money than its reports indicate, since breakout specialists are unable to identify savings in subsequent purchases of some items. Time and staff limitations prevent SBA personnel from pursuing many procurements with breakout potential.

Recommendations to Agencies: The Administrator of SBA should, to strengthen SBA breakout efforts and to increase its ability to identify the actual manufacturers of parts which are now supplied by prime contractors: (1) assign additional resources to the breakout efforts at ALC's; consider assigning breakout PCR specialists to other Defense procurement centers; and (2) clarify and expand current guidelines for calculating savings to overcome estimating problems identified by GAO.

Status: Action in process.

Agency Comments/Action

The agency is currently recruiting two additional PCR's and plans to recruit additional breakout PCR's as personnel positions are made available. The agency claims it has already clarified and expanded current guidelines for calculating savings to overcome estimating problems identified in the report. It is currently reviewing the prime contract standard operating procedures to include a clarification and expansion of the current savings guidelines. The agency also wants to analyze the 21 cases on which GAO questioned the SBA contribution to the breakout to determine whether improper reporting occurred.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Excessive Administrative Leadtime Used To Determine Needs in the Air Force System Support Stock Fund (PLRD-82-110, 8-13-82)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: A.F.R. 70-11. A.F.R. 57-6.

GAO reviewed the administrative leadtime for items in the automated System Support Stock Fund at the Ogden Air Logistics Center, Hill Air Force Base, Utah.

Findings/Conclusions: GAO found that inaccurate administrative leadtimes were being used in determining inventory needs. These inaccuracies could result in unnecessary procurements of up to \$6.3 million to accommodate the excessive leadtime.

Recommendations to Agencies: The Secretary of the Air Force should direct the Commander of the Air Force Logistics Command to implement improved procedures and controls to ensure that appropriate administrative leadtimes are maintained in the automated System Support Stock Fund at all air logistics centers. Such procedures and controls should: (1) periodically compare Air Force standard administrative leadtimes with stock fund system leadtime

so that item managers can evaluate the propriety of the leadtimes; and (2) adopt forecasting techniques which realistically reflect the leadtime required, considering both the Air Force standard and the actual leadtime experienced for the latest routine procurement. This applies to stock fund procurements, including those under basic contracting agreements and requirements contracts.

Status: Action in process.

Agency Comments/Action

The Air Force concurred with the recommendation and: (1) has directed all Air Force Logistics Commands to implement the Air Force policy on administrative leadtime; and (2) has implemented a program change to ensure the propriety of leadtimes used by item managers.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Improper Lobbying Activities by the Department of Defense on the Proposed Procurement of the C-5B Aircraft (AFMD-82-123, 9-29-82)

Departments of Defense, the Air Force, the Army, and Justice, and Defense Contract Audit Agency

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Department of Defense Appropriation Act, 1982 (P.L. 97-114; 95 Stat. 1565). Supplemental Appropriations Act, 1982 (P.L. 97-257). Antideficiency Act (31 U.S.C. 665). Treasury, Postal Service, and General Government Appropriations Act. 20 Comp. Gen. 488. D.A.R. 15-205.51. 18 U.S.C. 1913.

In response to a congressional request, GAO investigated the accuracy of allegations regarding the existence of a Department of Defense (DOD) lobbyist group in favor of the proposed procurement of the C-5B aircraft. Specifically, GAO was asked to determine whether these activities violated statutory prohibitions of lobbying with appropriated funds.

Findings/Conclusions: GAO found that an extensive and cooperative effort was made by officials of the Air Force, the Office of the Secretary of Defense (OSD), the Lockheed Corporation, and other Defense contractors to influence certain Congressmen's votes on the proposed procurement. This effort was initiated and directed by Defense officials, and they spent appropriated funds and Government resources to sustain their activities. Actions taken by Air Force and OSD officials to influence the Congressmen through the use of contractors were improper and violated the Federal appropriations restrictions which prohibit the use of appropriations for publicity and propaganda purposes designed to influence legislation pending before Congress. Further, DOD may have exceeded the limitation on the funds it can spend on legislative liaison activities contained in the Defense Appropriation Act of 1982. Since the governing statute contains fine and imprisonment provisions, GAO referred the matter of possible violation to the Attorney General.

Recommendations to Congress: Congress should enact in permanent legislation a set of guidelines on appropriate actions by agencies, Federal employees, and contractors when carrying out legitimate communication with Congress regarding agency policies, programs, activities, and procurements. Such guidance should specifically preclude cooperative efforts, as exhibited in this case, among Government officials and Federal fund recipients, such as contractors and grantees, for the purpose of influencing members of Congress on legislation being considered by that body. Permanent legislation should lead to agency heads establishing appropriate implementing rules and regulations.

Status: No action initiated: Date action planned not known.

Congress should consider amending the legislative liaison appropriation restriction which limits the amount of funds that Defense and the service departments may spend on these activities. The law should specifically state which costs are subject to this restriction.

Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of Defense should take all necessary steps to preclude the charging of any lobbying costs by Lockheed Corporation, the Boeing Company, and their subcontractors, or other firms, to any existing Federal contract. The Defense Contract Audit Agency and Defense plant representatives should be directed to disallow such costs in their audits of overhead accounts.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct all Defense negotiators to seek contract amendments or provisions which will specifically exclude all lobbying costs in all current as well as future contracts.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should conduct an administrative investigation after the end of the fiscal year to determine if a violation of the Antideficiency Act (31 U.S.C. 665) has occurred in the expenditures related to legislative liaison activities and take action as required by the statute if the appropriation restriction has been exceeded.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should establish proper accounting and internal controls to prevent violations of the Antideficiency Act (31 U.S.C. 665) from recurring.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should review any existing guidance relating to actions and behavior of Defense officials when communicating with members of Congress on legislation, procurement proposals, and budget initiatives and revise such guidance in an effort to preclude future incidents such as described in this report.

Status: No action initiated: Date action planned not known.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Improper Lobbying Activities by the Department of Defense on the Proposed Procurement of the C-5B Aircraft (AFMD-82-124, 9-29-82)

Departments of Defense, the Air Force, the Army, and Justice, and Defense Contract Audit Agency

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Department of Defense Appropriation Act, 1982 (P.L. 97-114; 95 Stat. 1565). Antideficiency Act (31 U.S.C. 665). Supplemental Appropriations Act, 1982 (P.L. 97-257). 4 C.F.R. 21. 20 Comp. Gen. 488. D.A.R. 15-205.51. 18 U.S.C. 1913.

In response to a congressional request, GAO investigated the accuracy of allegations regarding the existence of a Department of Defense (DOD) lobbyist group in favor of the proposed procurement of the C-5B aircraft. Specifically, GAO was asked to determine whether these activities violated statutory prohibitions of lobbying with appropriated funds.

Findings/Conclusions: GAO found that an extensive and cooperative effort was made by officials of the Air Force, the Office of the Secretary of Defense (OSD), the Lockheed Corporation, and other Defense contractors to influence certain Congressmen's votes on the proposed procurement. This effort was initiated and directed by Defense officials, and they spent appropriated funds and Government resources to sustain their activities. Actions taken by Air Force and OSD officials to influence the Congressmen through the use of contractors were improper and violated the Federal appropriations restrictions which prohibit the use of appropriations for publicity and propaganda purposes designed to influence legislation pending before Congress. Further, DOD may have exceeded the limitation on the funds it can spend on legislative liaison activities contained in the Defense Appropriation Act of 1982. Since the governing statute contains fine and imprisonment provisions, GAO referred the matter of possible violation to the Attorney General.

Recommendations to Congress: Congress should consider amending the legislative liaison appropriation refunds that Defense and the service departments may spend on these activities. The law should specifically state which costs are subject to this restriction.

Status: No action initiated: Date action planned not known. Congress should enact in permanent legislation a set of guidelines on appropriate actions by agencies, Federal employees, and contractors when carrying out legitimate communication with Congress regarding agency policies, programs, activities, and procurements. Such guidance should specifically preclude cooperative efforts, as exhibited in this case, among Government officials and Federal fund recipi-

ents, such as contractors and grantees, for the purpose of influencing members of Congress on legislation being considered by that body. Permanent legislation should lead to agency heads establishing appropriate implementing rules and regulations.

Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of Defense should take all necessary steps to preclude the charging of any lobbying cost by Lockheed Corporation, the Boeing Company, and their subcontractors, or other firms, to any existing Federal contract. The Defense Contract Audit Agency and Defense plant representatives should be directed to disallow such costs in their audits of overhead accounts.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct all Defense negotiators to seek contract amendments or provisions which will specifically exclude all lobbying costs in all current as well as future contracts.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should conduct an administrative investigation after the end of the fiscal year to determine if a violation of the Antideficiency Act (31 U.S.C. 665) has occurred in the expenditures related to legislative liaison activities and take action as required by the statute if the appropriation restriction has been exceeded.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should establish proper accounting and internal controls to prevent violations of the Antideficiency Act (31 U.S.C. 665) from recurring.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should review any existing guidance relating to actions and behavior of Defense officials when communicating with members of Congress on legislation, procurement proposals, and budget initiatives and revise such guidance in an effort to preclude future incidents such as described in this report.

Status: No action initiated: Date action planned not known.

MILITARY PAY

ACCOUNTING SYSTEMS

When One Military Service Pays Another's Members, Overpayments May Result
(AFMD-81-41, 4-14-81)

Departments of Defense, the Air Force, the Army, and the Navy, and United States Marine Corps

Budget Function: National Defense: Military Pay (051.3)

Legislative Authority: DOD Accounting Guidance Handbook 7220.9-H. DOD Directive 7330.3. DOD Instruction 7330.4.

GAO reviewed procedures and controls relating to military pay cross disbursements and the reconciliation of accounting data to pay data at all military service finance centers to determine if the military services were following the applicable guidance in reporting and controlling cross disbursements and if the services' systems were effective in preventing or detecting pay errors and irregularities.

Findings/Conclusions: In a test of almost 3,000 cross disbursement cases, 160 payments were found which had not been charged to the members' pay accounts and represented potential overpayments. The cross disbursements not posted were from several months to over a year old. Disbursing officers in many cases did not adhere to prescribed procedures in reporting cross disbursements. Also, the military finance centers failed to establish or carry out required controls that were designed to ensure the prompt receipt of all military pay cross disbursement data. An important basic control consists of a reconciliation which compares the charges made by disbursing officers to military pay appropriations to amounts charged to members' pay amounts. Although this control is applicable to both pay disbursements within the services and cross disbursement payrolls, it was not used by the Army and Marine Corps and ineffectively used by the Navy and Air Force. Because of the general lack of effective internal controls, GAO believes that there may be many more cross disbursement payments than those identified which have not been posted to pay accounts. It also believes that fraud could go undetected unless the procedures and controls are improved.

Recommendations to Agencies: The Secretary of Defense should require the Secretaries of the Army, Navy, and Air Force to make a special review of available documentation at all disbursing offices and finance centers to ensure that disbursing officers submitted all cross disbursement documents to appropriate finance centers and the related confirmations were received, and finance centers received all cross disbursement documents, and related payments were posted to pay accounts.

Status: Action in process.

The Secretary of Defense should require the Secretaries of the Army, Navy, and Air Force to collect any overpayments identified by the special review that resulted from failure to

charge pay records for cross disbursements.

Status: Action in process.

The Secretary of Defense should require the Secretaries of the Army, Navy, and Air Force to establish and/or improve military finance center procedures to ensure adequate control over receipt of all military pay cross disbursement vouchers in accord with Defense Handbook 7220.9-H.

Status: Action in process.

The Secretary of Defense should require the Secretaries of the Army, Navy, and Air Force to institute a reconciliation process in the Army and Marine Corps Centers to ensure that charges to military pay appropriations have a corresponding charge to pay accounts.

Status: Action in process.

The Secretary of Defense should require the Secretaries of the Army, Navy, and Air Force to issue instructions to all disbursing officers stressing the importance of well-prepared, complete, and legible financial documents, in compliance with applicable guidance, including the proper numbering of cross disbursement payment vouchers and the proper maintenance of cross disbursement suspense files.

Status: Action in process.

The Secretary of Defense should require the Secretaries of the Army, Navy, and Air Force to require internal audit and administrative examination of efforts at disbursing office and finance center locations to review periodically the effectiveness of procedures and internal controls used to ensure that pay cross disbursements are properly processed and recorded.

Status: Action in process.

Agency Comments/Action

The military services have taken or initiated actions that should correct many of the deficiencies noted in the report. The Army and the Marine Corps have not established reconciliation procedures necessary to ensure that charges to military pay appropriations have a corresponding charge to pay accounts. GAO expects that it may soon be able to terminate the followup work and possibly issue an accomplishment report.

MILITARY PAY

ACCOUNTING SYSTEMS

Computation of Cost-of-Living Allowances for Uniformed Personnel Could Be More Accurate (FPCD-82-8, 2-25-82)

Department of Defense

Budget Function: General Government: Central Personnel Management (805.0)

GAO reviewed the methodology used to compute cost-of-living allowances (COLA's) for Federal personnel because there were concerns about its appropriateness.

Findings/Conclusions: GAO found that the Department of Defense (DOD) uses an out-dated spendable income table on which to base COLA payments and adjustments for environmental factors resulting in undercompensation for some uniformed personnel and overcompensation for others. DOD, the Department of State, and the Office of Personnel Management administer COLA programs for uniformed and Federal civilian employees in foreign and nonforeign areas, respectively. COLA's computed by these agencies are based on prices of a market basket of goods and services in the foreign or nonforeign area compared with prices of a similar market basket in the base area. The administering agencies divide the foreign or nonforeign average prices by the base area average prices to obtain a ratio. These item ratios are weighted by the relative importance of the expenditures they represent. Correcting several deficiencies in data collection and processing would insure that the COLA's more accurately reflect differences in prices. Data received from the field were inconsistently edited and incorrectly adjusted for timelags between base area and COLA area price surveys. DOD COLA's would be improved if sale prices were weighted to reflect the proportion of purchases made at sale and regular prices.

Recommendations to Agencies: The Secretary of Defense should use procedures which insure consistent use of price data in the cost-of-living allowance computations.

Status: Action completed.

The Secretary of Defense should use weighted sale prices to reflect the proportion of purchases made at sale and regular prices.

Status: Action completed.

The Secretary of Defense should discontinue the practice of adjusting cost-of-living allowances in Alaska to reimburse uniformed personnel for special environmental factors. If a transfer allowance is considered necessary, DOD should propose legislation for such an allowance.

Status: Action in process.

The Secretary of Defense should use a scientific sampling system to make living pattern surveys and direct field offices to use the results of living pattern surveys as a basis for selecting outlets for the price surveys.

Status: Action completed.

The Secretary of Defense should revise the price collection schedule to minimize the timelag between base area and cost-of-living allowance area price surveys.

Status: Action completed.

The Secretary of Defense should adopt a spendable income table based on the most recent consumer expenditure survey.

Status: Action in process.

Agency Comments/Action

DOD said that the Per Diem, Travel, and Transportation Allowance Committee had been directed to: (1) use a scientific sampling system for living pattern surveys; (2) use procedures to insure consistent use of price data; (3) revise the price collection schedule to minimize the timelag; and (4) use weighted price data. DOD said that use of the most recent spendable income table is appropriate, but the implementation of this recommendation will have to await funding, which will be addressed during development of the fiscal year 1984 budget. It did not agree at this time with the GAO environmental factors but, in view of the report, directed the Per Diem Committee to review this practice.

MILITARY PAY

BONUS PROGRAMS

Millions Spent Needlessly in Navy and Marine Corps' Aviation Bonus Program (FPCD-82-56, 8-9-82)

Department of Defense

Budget Function: National Defense: Military Pay (051.3)

Legislative Authority: Supplemental Appropriations and Rescission Act, 1981 (P.L. 97-12). Uniformed Services Pay Act of 1981 (P.L. 97-60). Department of Defense Authorization Act, 1981 (P.L. 96-432). S. Rept. 97-146. S. Rept. 96-895. 37 U.S.C. 301b.

GAO evaluated the Navy and Marine Corps' implementation of the aviation officer continuation bonus program to determine whether these services are using it selectively as Congress intended.

Findings/Conclusions: GAO found that the Navy and the Marine Corps have not judiciously managed the bonus program and that almost 80 percent of their total payments during fiscal year 1981 were spent unnecessarily. In many cases, both services pay bonuses to officers who are not in specialties where there are critical shortages or who are past the point in their careers where retention is a problem. GAO found that all bonus money committed by the Navy in fiscal year 1981 for naval flight officer bonuses was unnecessarily spent, while the Marine Corps' approach to retaining officers is not an economical way to solve its shortages. These problems could be significantly resolved by more clearly defining eligibility criteria. GAO believes that, although a number of problems exist in its implementation, the bonus

program should be extended, but under tighter restrictions and for a shorter period of time than was requested so that Congress will have an opportunity to reassess the need for bonuses.

Recommendations to Congress: Congress should amend 37 U.S.C. 301b to extend the bonus authorization to September 30, 1984, and to define eligibility to include all of an aviator's active duty service.

Status: Action in process.

Congress should amend 37 U.S.C. 301b by adding a provision requiring the Secretary of the Navy to develop new bonus implementing procedures which would: (1) target the bonus to specific aviation specialties where there are, and continue to be, critical shortages of aviators; and (2) limit the application of the bonus to those years of service where retention has been a problem.

Status: Action in process.

MILITARY PAY

HOUSING

Variable Housing Allowance: Rate Setting Criteria and Procedures Need To Be Improved (FPCD-81-70, 9-30-81)

Department of Defense

Budget Function: National Defense: Military Pay (051.3)

Legislative Authority: P.L. 96-343, 37 U.S.C. 403(a).

Pursuant to a congressional request, GAO evaluated the Department of Defense's (DOD) methods for computing fiscal years 1981 and 1982 variable housing allowances (VHA) which were authorized for qualified members of the uniformed services.

Findings/Conclusions: The GAO evaluation indicated that Congress needs to correct certain weaknesses in the VHA legislation, and DOD needs to correct certain procedural problems. GAO found that the basis DOD used to compute VHA rates is what service members say they are paying for housing. Such a basis introduces not only the potential for abuse, but also for uncontrolled cost growth that will not be visible to Congress until after it has occurred. Also, GAO stated that it is questionable whether, in the early years of the program, this method will enable service members to obtain adequate housing. GAO believes that a better basis for establishing a housing allowance would be some external measure of what the members' civilian peers pay for housing.

Recommendations to Congress: The House Subcommittee on Military Personnel and Compensation should prepare an amendment to Public Law 96-343, sec. 4(a), which amended section 403(a) of Title 37, United States Code, to delete the provision which requires that variable housing allowances (VHA) be computed on the basis of service members' average cost of housing, and to insert a requirement that DOD establish a method for setting VHA rates based on an external measure of what military members' ci-

vilian peers pay for housing in various geographic areas. The specific procedures for accomplishing this should be left to DOD discretion. The amendment should also clarify whether the external measure of housing costs should include both rental and owner costs or be limited to rental costs.

Status: No action initiated: Date action planned not known.

If the House Subcommittee on Military Personnel and Compensation decides against an amendment to Public Law 96-343, sec. 4(a) and decides to retain the existing basis for setting VHA rates, it should clarify whether the phrase "average monthly cost of housing" was intended to be limited to rental housing costs or whether it was meant to include homeowner costs. If homeowner costs are to be included, DOD should be provided guidance on which of several alternative approaches should be used in measuring these costs. The Subcommittee should clarify whether certain procedures used by DOD to set variable housing allowance rates, including the possible use of regression analysis techniques and arbitrary rate adjustments, are consistent with the legislation requiring that VHA rates be: (1) the difference between the average monthly cost of housing in that area for service members at the same pay grade, and (2) 115 percent of the basic allowance for quarters to which the member is entitled. DOD should also develop a follow-up procedure to (1) improve the questionnaire response rate, and (2) verify the accuracy of the survey data.

Status: No action initiated: Date action planned not known.

WEAPONS SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Progress and Problems of the Advanced Medium Range Air-to-Air Missile Program (C-MASAD-81-6, 2-23-81)

Unclassified digest of a classified report

Departments of Defense, the Navy, and the Air Force

Budget Function: National Defense: Weapons Systems (051.1)

The Advanced Medium Range Air-to-Air Missile (AMRAAM) is being developed as an all-weather, air-to-air missile responding to Air Force and Navy operational requirements for the 1985-2005 timeframe. Operating within and beyond visual range, AMRAAM is to be compatible with the F-14, F-15, F-16, F-18 and other appropriate aircraft. It is intended to replace the aging SPARROW medium range air-to-air missile. GAO was severely hampered in its review of AMRAAM because the Air Force withheld most of the current cost, schedule, and performance data on the basis of the data being competition sensitive. Therefore, the program's status could not be fully assessed.

Findings/Conclusions: The following problems related to the AMRAAM program were identified: (1) the Air Force and Navy may be unable to fully test AMRAAM during full-scale engineering development because of deficiencies in high altitude, high speed targets; (2) operational questions exist regarding the full use of AMRAAM in a beyond visual range role; and (3) the total costs related to AMRAAM have not been estimated, but available information shows that total costs will be much more than the \$3.9 billion life-cycle cost forecasted in January 1979.

Recommendations to Agencies: The Secretary of Defense should align the development schedule for the high-altitude, high-speed target with the AMRAAM full-scale engineering development schedule.

Status: Recommendation no longer valid/action not intended. *The agency did not concur and plans to continue the development of the target under its existing program*

schedule.

The Secretary of Defense should urge the adoption of rules-of-engagement, pending improved identification, friend, or foe capability, which permit optimum employment of such air superiority systems as AMRAAM.

Status: Action in process.

The Secretary of Defense should provide Congress with the total estimated cost of development, procurement, and deployment of AMRAAM, including the associated aircraft modification costs.

Status: Action in process.

The Secretary of Defense should reconsider the need for high-altitude, high-speed target subsystems, such as improved radar and infrared augmentation, cooperative vector scoring, and threat-representative countermeasures, in order to adequately test the operational capabilities of AMRAAM.

Status: Recommendation no longer valid/action not intended. *The agency does not concur and believes that the ground-based scoring, in conjunction with other systems, will meet the test requirements.*

Agency Comments/Action

The Undersecretary of Defense for Research and Engineering does not agree with the GAO position on testing concerns or operational questions. Cost estimates are to be provided to Congress when available.

WEAPONS SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Opportunities for Improving Management of the Navy's Aegis Cruiser Program

(C-MASAD-81-8, 2-28-81)

Unclassified digest of a classified report

Departments of Defense and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

The Aegis weapon system is the antiair warfare weapon designed to protect the Navy's carrier battle groups from air- and sea-launched missiles. It is comprised of an advanced-design radar and related hardware and software. Two systems have been procured for the Navy's newest cruisers, the CG-47 and CG-48. The fiscal 1981 Defense budget provides procurement funds for two more Aegis-equipped cruisers.

Findings/Conclusions: Although a complete Aegis weapon system will not be operated until the first Aegis-equipped cruiser is launched, Navy officials are confident that their actual live tracking and simulator-assisted tests provide proof that the system will be capable against the existing and currently foreseen threat. However, serious questions surround the supply support aspects of its operational availability. The supply support policy planned for the Aegis weapon system will not insure that the system reaches its maximum operational availability. None of the analyses conducted by the Navy or the prime contractor considered the entire system; each report examined only the subsystems of the Aegis weapon system. The CG-47 being constructed to house the system will also have another air search radar system, the SPS-49. The SPS-49 appears to be an inadequate backup for the Aegis system. Therefore, retaining the SPS-49 is highly questionable. Furthermore, this ship provides an inadequate margin for growth required by Navy standards.

Recommendations to Congress: Congress should receive a report if critical systems will not be available.

Status: Action completed.

Recommendations to Agencies: The Secretary of Defense

should direct the Navy to reexamine the need for the SPS-49 on CG-47 class ships to determine that its benefits are commensurate with its weight and cost.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Navy to insure that Defense Acquisition Regulations are followed in the decision for procuring power converters for the CG-48 and subsequent ships in this class.

Status: Action completed.

The Secretary of Defense should direct the Navy to emphasize weight reduction efforts and carefully monitor the effect of future systems, such as the Vertical Launching System, on the ship's weight and stability.

Status: Action in process.

The Secretary of Defense should direct the Navy to identify, through the CG-47 Selected Acquisition Report, the status of important weapon systems that are scheduled to be deployed on this multimission ship. If critical systems will not be available on time, such limitations in the ship's capability should be reported to Congress.

Status: Action completed.

The Secretary of Defense should direct the Navy to evaluate how various supply support methodologies affect the availability of the entire Aegis weapon system. If methodologies other than the presently adopted Fleet Logistic Support Improvement Program system can provide a significantly greater system at about the same cost, it should be selected for implementation on the Aegis system.

Status: Action completed.

WEAPONS SYSTEMS

INDIVIDUAL SYSTEM STUDIES

The Army's Multiple Launch Rocket System is Progressing Well and Merits Continued Support (MASAD-82-13, 2-5-82)

Departments of Defense and the Army

Budget Function: National Defense: Weapons Systems (051.1)

Legislative Authority: OMB Circular A-109.

GAO conducted a review of the Multiple Launch Rocket System program to determine the Army's progress in developing this system as it approaches a critical testing phase and as Congress prepares to review requests for large-scale funding to finance its procurement.

Findings/Conclusions: Certain technical problems require resolution; however, the system has done quite well in testing so far, and the system is also meeting its cost and schedule goals, after adjustments for inflation. The system is an unguided, surface-to-surface rocket system. It is to be mounted on a chassis derived from the infantry fighting vehicle and is especially designed for use during surge periods when enemy forces present targets in sufficient quantities and density to strain the capacity of available fire support systems. The weapon system depends on other systems for operational use including a target acquisition system, a meteorological data system, and a communication system. Some of the system's more difficult technical problems involve the submunitions. Other problems have been experienced in testing with the vehicle's transmission, the fire control system, and the directional reference system. Although the system's survivability has been questioned by some Army analysts who believe that some design changes may be needed, the Army believes that its tactics should ensure adequate survivability. The critical meteorological data system is still in development and will not be available when the rocket system is due to begin deployment. The Army may also face difficulty in accommodating the procurement of a costly system, such as the Mul-

tle Launch Rocket System, given the budgetary pressures it is facing as it introduces several new expensive systems simultaneously.

Recommendations to Agencies: The Secretary of Defense should investigate the possibility of accelerating the acquisition of the meteorological data system that would enhance the Multiple Launch Rocket System effectiveness when it is ready for deployment.

Status: Action in process.

The Secretary of Defense should require the Army to review its survivability estimates and determine whether there is a need to improve the system's survivability in the light of the updated evaluation results.

Status: Action in process.

Agency Comments/Action

The Army has determined that acquisition of the meteorological data system cannot be accelerated. Development testing is planned for June 1982 with a production decision and development of systems in 1985. Validation of the counterfire threat is underway and verification of the survivability and vulnerability of the system is planned for mid-1983. The Army is developing testing solutions to technical problems and overall system performance will be evaluated in production qualification and final operational tests scheduled to begin in April and October 1982, respectively. The production decision is to be made in March 1983.

WEAPONS SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Army's Remotely Piloted Vehicle Shows Good Potential but Faces a Lengthy Development Program (C-MASAD-82-8, 2-26-82)

Unclassified digest of a classified report

Departments of Defense and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

GAO evaluated the Army's prospects for successfully deploying the Remotely Piloted Vehicle (RPV) system in light of important upcoming program decisions. RPV is designed to acquire targets for artillery, to designate targets for precision-guided munitions and reconnaissance, and to extend the attack capability of division commanders beyond the forward edge of the battle area where ground-based systems cannot see and where the risk to piloted observation aircraft is high.

Findings/Conclusions: RPV promises to significantly enhance the Army's combat capability. However, the development of RPV has been slowed by technical problems and funding uncertainties created by the competing demands of Army programs. Technical problems with two key subsystems, the data link and the mission payload, have slowed the development of RPV. In order to minimize the effects of these difficulties, the Army has developed two additional data links, one for interim use during testing and the other as a possible alternate, although the alternate data link is not as capable as the original. Development of the mission payload subsystem has been hindered by difficulty in designing the software and problems with a key component. Despite these difficulties, RPV shows potential for good survivability, and planned system improvements promise to overcome some battlefield conditions that threaten to lower the system's effectiveness. The success of RPV depends largely on the progress achieved in miniaturizing the data link. However, the entire system requires considerable development and testing. If the research and development problems are deemed solvable, RPV will need a commitment to funding support so that its full potential can be realized.

Recommendations to Agencies: The Secretary of Defense

should direct the Army to budget for and pursue the development of system enhancements, if progress is adequate, to overcome some of the potential operational limitations of the system.

Status: Action in process.

The Secretary of Defense should direct the Army to ensure that the testing program is structured so that operational tests demonstrate both individual subsystem and total integrated weapon system performance.

Status: Action in process.

The Secretary of Defense should give consideration to discontinuing the program or reorienting it to a low-level research and development program if RPV progress is such that it does not command high sustained funding.

Status: Action in process.

The Secretary of Defense should direct the Army to determine whether the Remotely Piloted Vehicle program's progress is such that it should command sustained funding levels that would permit achieving its initial operational capability on schedule.

Status: Action in process.

Agency Comments/Action

The Army plans to have the first integrated air vehicle flight in summer 1982. It has restored 1982 and 1983 budget cuts imposed in the program in 1981 and is committed to see the capability fielded in late 1987. The applications of this technology are interesting and may merit support provided they are cost effective in comparison to the alternatives. Fiscal year 1983 hearings before the House Appropriations Subcommittee on Defense substantiate the position of the Army to field the system.

WEAPONS SYSTEMS

INDIVIDUAL SYSTEM STUDIES

The Navy's Landing Craft Air Cushion: Uncertainty Over How It Will Be Used With Amphibious Forces
(C-MASAD-82-9, 2-26-82)

Unclassified digest of a classified report

Departments of Defense and the Navy, and United States Marine Corps

Budget Function: National Defense: Weapons Systems (051.1)

The Landing Craft Air Cushion (LCAC) is an advanced design, high-speed air cushion vehicle being developed by the Navy for use in amphibious operations. GAO conducted a review of the LCAC program to provide Congress with an assessment of the program as it approaches the start of production and to identify important issues which should be considered in progressing to full production.

Findings/Conclusions: LCAC is being developed to replace current landing craft which possess a number of operational performance limitations. Studies conducted and testing completed on full-scale advanced development air cushion vehicles support the LCAC potential to improve the Navy's surface assault capability. The LCAC is expected to possess a number of operational advantages, such as high overwater speed and the ability to cross the beach and discharge cargo on firm ground. The major disadvantages of the LCAC are the high cost, increased maintenance requirements, and the necessary modifications to ships that will transport it. To take full advantage of the LCAC potential, the Navy and Marine Corps have determined that a revised operational concept and changes to current amphibious operations tactics and doctrine are necessary. It is uncertain how the revised concept will affect the current LCAC mission, performance requirements, the number of craft ultimately required, the planned acquisition of a future Marine Corps assault mission, and the planning and conduct of future LCAC testing and evaluation. As a result of tests on these air cushion vehicles, the Navy has stated that the LCAC has the potential to be operationally effective; however, the test force could not comment on LCAC operational suitability, such as reliability, maintainability, and availability, until after testing and evaluation of representative craft. Prior to the testing and evaluation of representative craft, the Navy plans limited production of 12 LCAC's at a cost of \$343 million.

Recommendations to Congress: Congress should pay particular attention to the actions surrounding the acquisition of the Landing Craft Air Cushion, a multibillion dollar program.

Status: Action in process.

Recommendations to Agencies: The Secretary of Defense should closely scrutinize the Navy's acquisitions plans for the Landing Craft Air Cushion (LCAC) during the Program Objective Memorandum and the Program, Planning, and

Budgeting System reviews. This would include determining how: (1) the revised LCAC operational concept will influence craft performance requirements, system design, number to be procured, and program cost; (2) LCAC will interface with and influence the composition of future surface assault forces; and (3) the LCAC test program is being structured to ensure that any changes in the craft's performance thresholds as a result of agreements reached on the operational concept have been incorporated into the future test plan.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Navy to make sure that the ongoing lead production effort, regardless of its size, provides adequate milestones for monitoring costs, schedule, and performance progress. Special attention should also be given to those matters not specifically planned for the Secretary of the Navy review, including: (1) the effect that the engine selection will have on the program as currently structured; (2) accumulation of assessable reliability, maintainability, and availability data; and (3) the incorporation into the Landing Craft Air Cushion design of solutions to problems identified during testing of advance development air cushion vehicles, including propeller and lift fan erosion, corrosion of electrical and electronic components, and the need to decrease craft vulnerability.

Status: Action in process.

The Secretary of Defense should require the preparation of Selected Acquisition Reports on the Landing Craft Air Cushion. This would provide decisionmakers and Congress with valuable information.

Status: Action in process.

Agency Comments/Action

DOD is in basic agreement with the GAO findings and recommendations with one exception. DOD responded that Selected Acquisition Reports may be determined to be merited even though the program is not designated as a major acquisition. The requirement for a SAR, however, should not be instituted earlier than the Navy's program review planned for October 1982. GAO recommended an earlier adoption.

WEAPONS SYSTEMS

INDIVIDUAL SYSTEM STUDIES

The Navy's New Antisubmarine Warfare Standoff Weapon--an Uncertain Future (C-MASAD-82-11, 2-26-82)

Unclassified digest of a classified report

Departments of Defense and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

GAO reviewed the major issues concerning the Department of the Navy's development of an antisubmarine warfare standoff weapon, currently nearing the end of the concept formulation of the major acquisition cycle.

Findings/Conclusions: Navy studies indicate that the stand-off weapon will be effective at a range adequate to significantly improve the antisubmarine warfare capability of U.S. attack submarines. However, future improvements which are necessary to support the weapon's proposed range may not be achieved. The standoff weapon is intended to replace the Navy's only existing submarine-launched, long-range antisubmarine weapon, known as SUBROC. The Navy is extending the service life of SUBROC under a refurbishment program to improve reliability, maintainability, and system performance. However, the Navy has determined that SUBROC has exceeded its design life and is planning to retire SUBROC capability from the fleet. The Navy estimates the life-cycle program cost at \$2.6 billion; however, this does not include some separately reported costs.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Navy to develop accurate cost estimates and then reevaluate the fire control system option and, if this option is cost effective, the Navy should reconsider its priorities.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Navy to begin selected acquisition reporting now to provide increased management visibility to cost, schedule, and performance goals.

Status: Recommendation no longer valid/action not intended. *The Navy disagreed with the recommendations and believes an SAR requirement is premature. It responded by indicating that the DSARC process allows adequate review at the appropriate time in the acquisition process.*

Agency Comments/Action

Agency action is pending on the first recommendation. The Navy disagreed with the second recommendation.

WEAPONS SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Issues Concerning the Navy's Expendable Reliable Acoustic Path Sonobuoy and Advanced Signal Processor (C-MASAD-82-14, 2-26-82)

Unclassified digest of a classified report

Departments of Defense and the Air Force, General Services Administration, and National Aeronautics and Space Administration

Budget Function: National Defense: Weapons Systems (051.1)

Sonobuoys are acoustic sensors which, when dropped into the water from aircraft, are designed to detect the presence of submarines. Signal processors on board aircraft and ships analyze sonobuoy data to enhance submarine detection, classification, and localization. GAO presented its views on the major unresolved issues in developing and procuring the expendable reliable acoustic path sonobuoy (ERAPS) and the advanced signal processor.

Findings/Conclusions: The ERAPS development program is encumbered with many costly and complex technical problems. Potential production costs are not known at this time. GAO found that the ERAPS is the most complex in design and operation of the Navy's tactical sonobuoys. Special requirements increase its technical risk. It is not compatible with user aircraft without hardware and software modifications and requires special handling, storage, safety, training, and maintenance procedures. The Navy has not proposed a cost-effect mission for the ERAPS relative to other available sensors or tactics. Depending on the quantities procured, its expense might force the Navy to forego buying other needed sonobuoys. The advanced signal processor production costs are not firm, but could exceed \$1 billion. GAO found that: (1) the Navy could not provide a total cost estimate for the advanced signal processor; (2) operational testing with the larger memory module has not been completed; (3) the full benefits of the processor will not materialize for several years, because the needed computer programs will not be available; (4) the processor could become technologically obsolete due to recent rapid advances in computer processing; and (5) the Navy has no analyses showing that the advanced signal processor is or can be cost effective in comparison to alternatives. Standardization offers advantages such as reduced development, production, and support costs, but may inhibit new, lower cost technology and competition, prohibit tailoring to sys-

tem requirements, and increase life-cycle costs.

Recommendations to Agencies: The Secretary of Defense should direct the Navy to provide convincing evidence and a sound justification that the technology is at hand and expendable reliable acoustic path sonobuoys are needed. Otherwise, the program, as presently structured, should be terminated. However, research to advance the technology should continue if DOD deems that it is essential to future antisubmarine warfare capability.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Navy to reevaluate and justify the quantity to be acquired and proposed uses for the advanced signal processors currently in the procurement plan.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Navy to fully define the total cost to produce, operate, and support the advanced signal processor, including hardware and software acquisition and integration, software maintenance, integrated logistics support, and spares.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Navy to provide conclusive evidence to demonstrate that the advanced signal processor is cost effective in comparison to alternatives.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

DOD/Navy disagrees with the first recommendation to terminate the ERAPS program but indicated that the dialogue between GAO and the Navy has had a positive impact in terms of program visibility. DOD/Navy also disagreed with the three recommendations on the Advanced Signal Processor program. No action has been initiated.

WEAPONS SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Navy's F/A-18 Expected To Be an Effective Performer but Problems Still Face the Program (MASAD-82-20, 2-26-82)

Departments of Defense and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

The F/A-18 naval strike fighter development is near completion and GAO provided Congress with a status report.

Findings/Conclusions: Development flight testing shows that the F/A-18 will meet most of the design performance goals, and it is expected to effectively perform its fighter and light attack missions. Several logistics support issues gained importance during the F/A-18 program's transition from development to production and deployment. These issues include delay in developing pilot trainers, including their lack of essential equipment for operational units, and inadequate spares support. F/A-18 cost increases continue as a major program issue. GAO anticipates additional program cost growth resulting from underestimated escalation and prime and subcontractor cost increases. While the Navy projected major cost reductions in several areas, significant hard savings have not yet been realized.

Recommendations to Agencies: The Secretary of Defense should direct the Navy to accelerate implementation of the Navy proposed cost reduction initiatives estimated to save \$1.2 to \$4.6 billion.

Status: Action in process.

The Secretary of Defense should direct the Navy to determine the value to be derived from the Board of Inspection and Survey Trials. Unnecessary redundancy between the trials and testing already accomplished should be eliminated.

Status: Action completed.

The Secretary of Defense should direct the Navy to delete, to the extent possible, mission-essential equipment from training aircraft, thereby saving substantial procurement, as well as maintenance cost.

Status: Recommendation no longer valid/action not intended. *The agency did not concur with the recommenda-*

tion. GAO believes, however, that it is valid.

The Secretary of Defense should direct the Navy to implement competitive procurement of test program sets for an estimated savings of \$70 million and explore other situations where competition could be used.

Status: Action in process.

The Secretary of Defense should direct the Navy to allocate aircraft hardware between production and trainer development and ensure transfer of flight control system data to permit timely trainer development.

Status: Recommendation no longer valid/action not intended. *Aircraft hardware is now being produced in sufficient numbers for both production and trainer development.*

The Secretary of Defense should direct the Navy to incorporate both air-to-ground and electronic counter-countermeasures capability into the operation flight trainer as part of its current development.

Status: Action in process.

The Secretary of Defense should direct the Navy to preclude future reductions in F/A-18 operational readiness due to delayed automatic test equipment. The Navy should (1) evaluate the cost of additional spares to offset the lack of test capability; (2) select the most cost-effective alternative; and (3) budget to adequately support the selected course of action.

Status: Action in process.

Agency Comments/Action

The Under Secretary of Defense for Research and Engineering stated that he concurred with all recommendations except for one.

WEAPONS SYSTEMS

INDIVIDUAL SYSTEM STUDIES

Cost Growth and Delivery Delays in Submarine Construction at Electric Boat Are Likely To Continue (MASAD-82-29, 4-19-82)

Departments of Defense and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

GAO was asked to evaluate the ability of the General Dynamics Corporation's Electric Boat Division to build submarines in a timely and cost-effective manner. GAO was also asked to review other aspects concerning Electric Boat and its submarine construction program.

Findings/Conclusions: GAO noted that it was too early to accurately assess Electric Boat's upgraded quality assurance program, but the new procedure could provide greater assurance that quality submarines are constructed by Electric Boat. Weaknesses in implementing inspection procedures and in obtaining and verifying timely corrective actions could lead to quality-related problems similar to those experienced in the past. The Naval Sea Systems Command has identified weaknesses in the quality assurance program which should ensure that contractual requirements are met, and these weaknesses have not been entirely corrected by actions which were intended to remedy them. Cost growth will continue at Electric Boat because the direct labor budgets, despite revisions, do not reflect all the hours needed to complete the SSN-688 and the Trident submarine programs. The Navy believes that the pricing structures and target costs for these contracts are reasonable. Six SSN-688's and one Trident were delivered in 1981. In achieving these deliveries, the company concentrated its labor force on these submarines at the expense of the remaining submarines under construction. Unless Electric Boat takes immediate action to reverse unfavorable productivity trends, some scheduled SSN-688 and Trident delivery dates may not be met. In the Navy's testimony before a congressional subcommittee, Electric Boat was criticized for its shoddy construction and poor quality control and was held responsible for high costs and delivery delays. Electric Boat defended its position by refuting the Navy's criticisms.

Recommendations to Agencies: The Secretary of Defense should require the Navy to accelerate its reviews of Electric Boat's quality assurance procedures, and the Navy, and Electric Boat should work closely to improve its existing management control systems to ensure that: (1) inspection procedures are being effectively implemented, (2) corrective actions are taken on a timely basis, and (3) preventive measures are properly implemented before quality problems become widespread. Intensive management attention must be directed to ensure that established quality as-

surance guidelines in place are implemented. This attention enables management to identify potential problems early and permits management to identify potential problems early and permits steps to be taken to keep programs on track.

Status: Action in process.

The Secretary of Defense should direct that realistic estimates for contracts at Electric Boat be developed and reported to the Office of the Secretary of Defense and concerned congressional oversight committees. These estimates should be prepared by those intimately involved in the two submarine programs and objectively verified by an independent organization within Defense. A good candidate for this verification would be the Cost Analysis Improvement Group within the Office of the Secretary of Defense. Actual experience acquired on submarines already delivered or substantially completed offers a good starting point for preparing these estimates.

Status: Recommendation no longer valid/action not intended. *GAO is dropping the recommendation as it now appears that the estimates for the most recent contracts are more realistic.*

The Secretary of Defense should direct the Navy to maintain close surveillance over the contractors' activities to identify progress being made or indications of unfavorable trends. If problems are indicated, corrective measures must be taken to minimize potential problems. If unfavorable trends, such as labor and skill shortages and other economic influences, are the result of factors beyond the control of the Navy or the contractor at least the problems will be recognized and surprises to the public and Congress will be avoided.

Status: Action in process.

The Secretary of Defense should periodically apprise Congress of progress being made at Electric Boat and the impact any unfavorable trends may have on costs and schedule deliveries.

Status: Action in process.

Agency Comments Action

DOD basically agreed with the GAO recommendations and is taking appropriate actions

WEAPONS SYSTEMS

LOGISTICS SUPPORT PLANNING

F-16 Integrated Logistics Support: Still Time To Consider Economical Alternatives (LCD-80-89, 8-20-80)

Departments of Defense and the Air Force

Budget Function: National Defense: Weapons Systems (051.1)

The F-16 aircraft is being developed in a cooperative undertaking between the United States and four European North Atlantic Treaty Organization countries. The current program provides for coproduction of 1,113 aircraft. An integrated logistics support (ILS) plan was developed to coordinate and control the logistics tasks necessary to support the aircraft, but the plan has had little influence on subsystem selections and support because: (1) the F-16 was a prototype program and integrated logistics support was not included in the prototype contract; and (2) the first ILS plan was not final until 10 months after the aircraft entered full-scale development.

Findings/Conclusions: GAO found that the Air Force could save \$56 million in avionics equipment by centralizing intermediate maintenance in Europe and the United States. Centralization would also reduce requirements for personnel, equipment, and facilities. A Memorandum of Understanding with the European participating governments (EPG) commits the United States to having Europeans do depot repair for the F-16 aircraft in Europe. The Air Force provides a 10 percent backup aircraft inventory for depot maintenance and modification. However, GAO questions the need for this number of backup aircraft because the F-16 was designed to eliminate planned depot maintenance and overhaul. Reducing the inventory could save up to \$1.4 billion. Although the Air Force researched the benefits of simulation over conventional hardware before deciding to buy the simulated aircraft maintenance trainer (SAMT), it did not adequately consider training alternatives in the event the delivery of the simulator was delayed. Portions of the pilot training equipment of the F-16 are still being developed, and as a result, the Air Force planners did not know exactly how often these trainers would be used. Many F-16 technical orders, which explain how to install, operate, and repair aircraft and related equipment, before it can do maintenance work, were not usable. The F-16 ILS plan did not include the time needed to design and fabricate mobile shelters to deploy avionics test equipment and had not been updated to show the new leadtimes needed.

Recommendations to Agencies: The Secretary of Defense should direct the Air Force to centralize F-16 intermediate maintenance.

Status: Recommendation no longer valid/action not intended. *The Air Force disagreed with this recommendation based on concerns about the vulnerability of a centralized maintenance facility in Europe. GAO has rebutted these concerns and continues to believe that a central-*

ized facility can reduce maintenance cost without increasing vulnerability.

The Secretary of Defense should direct the Air Force to accelerate negotiations with the EPG's to determine if and how much U.S. depot repair will be done in Europe to meet the Memorandum of Understanding commitments.

Status: Recommendation no longer valid/action not intended. *The Air Force has made considerable progress in responding to the recommendation and has continual efforts underway to get more depot repair items under contract with EPG industries. This effort is a lengthy process and will not be complete for sometime. GAO is satisfied that appropriate emphasis is being placed on the effort and believes that further followup is not necessary.*

The Secretary of Defense should direct the Air Force to reexamine the potential value, volume, and availability of EPG depot support before purchasing additional test equipment.

Status: Recommendation no longer valid/action not intended. *The Air Force believes that additional test equipment will be necessary in case of a contingency. Further followup on this report would not be useful.*

The Secretary of Defense should direct the Air Force to reexamine the need for backup aircraft inventory.

Status: Recommendation no longer valid/action not intended. *The Air Force disagrees with the GAO position and does not plan any action. GAO has addressed this issue in several other reports and plans no further followup on this specific report.*

The Secretary of Defense should direct the Secretary of the Air Force to update the ILS plan to recognize leadtimes required to ensure the availability of facilities to support aircraft.

Status: Action completed.

Agency Comments/Action

DOD disagreed with the recommendations that the Air Force: (1) centralize F-16 intermediate maintenance; (2) reexamine the need for backup aircraft inventory; (3) assess the cost/benefit of buying a weapon system trainer for every F-16 base; and (4) establish a timetable for F-16's to get war readiness spares into the system for deployment. DOD made no specific comments on the other recommendations other than to say that the Air Force previously has identified the F-16 logistics areas discussed as requiring management attention.

WEAPONS SYSTEMS

LOGISTICS SUPPORT PLANNING

Air-Launched Cruise Missile: Logistics Planning Problems and Implications for Other Weapon Systems (PLRD-82-68, 5-10-82)

Departments of Defense, the Navy, and the Air Force

Budget Function: National Defense: Weapons Systems (051.1)

Legislative Authority: DOD Directive 4151.1. DOD Directive 4151.16.

GAO reviewed the integrated logistics support (ILS) planning for the Air Force's air-launched cruise missile (ALCM) and the related B-52 carrier aircraft modifications programs.

Findings/Conclusions: GAO found a number of problems which will inhibit the economy and effectiveness of logistics support for the systems. These problems were primarily caused by the programs' concurrent development and production acquisition strategy, which was adopted to meet the required operational availability date for the ALCM. Specifically, GAO found that: (1) program constraints created special problems for logistics planners, which made it difficult to ensure timely and accurate logistics support; (2) action on suggested design changes to improve logistics supportability was given a low priority; (3) testing programs which would provide needed information on logistics supportability requirements were delayed, and a program to develop depot maintenance capabilities was deferred; and (4) management tools, such as logistics support analysis, life-cycle costing, and budgeting for logistics resources, could be used more effectively. GAO also found that logistics support costs for the ALCM and other cruise-missile variants might be reduced by consolidating depot maintenance for those

components which are common to the missile system.

Recommendations to Agencies: The Secretary of Defense should direct ALCM and B-52 modification program managers to more effectively use logistics support analysis, life-cycle cost estimating, and logistics budgeting planning data in making logistics decisions for their programs.

Status: Action completed.

The Secretary of Defense should determine whether cost savings can be achieved by consolidating depot maintenance for common cruise-missile components.

Status: Action in process.

Agency Comments/Action

DOD stated that it is striving to improve its systems acquisition processes. Based on the recommendations, DOD has: (1) directed the Air Force to assure that logistics program managers make the most effective use possible of the management aids available to them; and (2) initiated an investigation to determine potential cost savings to be achieved by consolidating depot maintenance for common cruise missile components.

WEAPONS SYSTEMS

MISSION ANALYSIS

Some Land Attack Cruise Missile Acquisition Programs Need To Be Slowed Down

(C-MASAD-81-9, 2-28-81)

Unclassified digest of a classified report

Departments of Defense, the Air Force, and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

Cruise missiles are subsonic, jet-powered airframes that are being acquired to deliver nuclear or conventional warheads against a variety of targets. GAO reviewed some major areas of concern with regard to matters which affect the acquisition and deployment of these missiles.

Findings/Conclusions: The Office of the Secretary of Defense has placed the highest national priority on deployment of the Air-Launched Cruise Missile system in order to preclude shortfalls in strategic weapons in the 1980's. Accordingly, a rigorous, success-oriented, highly concurrent schedule was established. Production of the missile was authorized, even though a number of critical problems remained to be resolved. Specifically: (1) operational testing completed before the production decision revealed that mission reliability of the system was deficient and that it failed to demonstrate important missile performance features; (2) the testing that had been done was not operationally realistic; (3) engine reliability was still a matter of serious concern; (4) certain components which were essential to the system's performance have not been available for operational testing; (5) a critical measurement program was about a year behind schedule; and (6) errors were found in the terrain elevation data base. The Navy plans to request authority to begin full-scale production of the first tactical land attack cruise missile system. Major problems have to be resolved before that time including: (1) cruise missiles probably will not be sufficiently accurate to deliver conventional warheads; (2) because of exposure to enemy defensive systems, it is doubtful that the missiles will survive when delivering certain nonnuclear warheads; and (3) no statement of mission need has been prepared to support acquisition

of the Tomahawk or Medium Range Air-to-Surface Missiles.

Recommendations to Congress: Congress should not appropriate additional funds for procurement of either land attack Tomahawk or the Medium Range Air-to-Surface Missiles until the Secretary of Defense comprehensively defines and reconciles overall Defense requirements to attack land targets from standoff ranges characteristic of tactical cruise missiles.

Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of Defense should withhold authorization to proceed with full-scale production of any land attack missile with a conventional warhead until the accuracy and survivability of such a system is convincingly demonstrated in realistic operational testing.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should closely monitor the Air-Launched Cruise Missile program to ensure the resolution of operational testing issues, engine reliability problems, uncertainty about terrain roughness thresholds, and deficiencies in the terrain elevation data base prior to deployment.

Status: Action in process.

Agency Comments/Action

Navy and DOD representatives agreed with the GAO recommendations but, as of January 7, 1983, the recommendations have not been implemented regarding the conventional land attack Tomahawk or the Medium Range Air-to-Land Surface Missile. The recommendation regarding the Air-Launched Cruise Missiles is being implemented.

WEAPONS SYSTEMS

MISSION ANALYSIS

Critical Considerations In Developing Improved Capability To Identify Aircraft as Friend or Foe
(C-MASAD-82-6, 2-24-82)

Unclassified digest of a classified report

Departments of Defense, the Army, the Navy, and the Air Force, and North Atlantic Treaty Organization

Budget Function: National Defense: Weapons Systems (051.1)

GAO reviewed the Department of Defense programs designed to improve U.S. capabilities to identify aircraft as friend or foe. These programs, for which Congress will be asked to provide funds, could potentially involve significant expenditures.

Findings/Conclusions: GAO found that the primary systems in use by the United States and some other forces in the North Atlantic Treaty Organization (NATO) are the Mark (MK) X and XII cooperative systems. U.S. capability to identify aircraft is limited. Consequently, missiles capable of attacking targets beyond visual range cannot be used to their full potential. Aircraft frequently have to close within visual range to positively identify air targets, and the launch aircraft are rendered more vulnerable to enemy fire. Better identification would permit relaxing restrictive rules of engagement which have been instituted to minimize the risks of mistakenly attacking friendly aircraft. Currently, there are plans to improve the Mark XII. Also under consideration is the development of the next generation identification system, the MK XV. There are several matters to resolve, the principal one being the frequency band in which the MK XV should operate. Other NATO countries have been unable to agree on a common frequency band. Besides the MK XV, certain other technologies appear to have the potential of contributing to the overall improvement of U.S. identification capability. However, several of these technologies are in the early stages of development and have not been tested to deter-

mine their performance. The total investment in identification systems is difficult to calculate, because several are in early stages of development and cost are spread over numerous accounts.

Recommendations to Agencies: The Secretary of Defense should determine the priority that the MK XV interoperability with the other identification systems in NATO should have relative to the other factors to be considered in selecting the frequency allocation band in which the MK XV is to operate.

Status: Action in process.

The Secretary of Defense should make the amount to be invested in MK XII improvements contingent on how soon the MK XV can reasonably be expected to become available.

Status: Action in process.

Agency Comments/Action

The agency agreed with the GAO assessment of its present capability to identify aircraft. The issues contained in the report were found to be both timely and appropriate according to a DOD memo. The MK XII improvements and the MK XV interoperability issues contained in the recommendations will be discussed at DSARC, scheduled for March 1983. In the meantime, the Europeans have agreed to make a 5-month assessment of the acceptability of the U.S. candidate system.

WEAPONS SYSTEMS

MISSION ANALYSIS

Defense Plans To Deploy Some Cruise Missiles Before They Are Ready
(C-MASAD-82-15, 2-26-82)

Unclassified digest of a classified report

Departments of Defense, the Air Force, and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

GAO evaluated the Tomahawk cruise missile program. These missiles, designed to deliver nuclear or conventional warheads, can be launched from the air, sea, or ground. Five variants of the missile are being acquired for use against various land and sea targets.

Findings/Conclusions: Because of two test failures, the Tomahawk conventional land attack cruise missile's full-scale production decision has been delayed. If deployed as currently scheduled, the missile will not be fully capable because: (1) it cannot effectively attack certain important targets with the attack options and conventional warheads currently available; (2) it will not be able to attack most potential targets in certain geographic areas, because guidance maps have not been prepared; and (3) questions concerning the missile's survivability remain unresolved. Recent test results show problems in the Tomahawk's targeting accuracy. In addition, there are questions concerning the missile's survivability, the fact that the number of missiles currently approved may not be adequate to satisfy mission needs, and the fact that recent Navy studies indicate that disabling a target is not a simple matter. The principal issue in the ground launched cruise missile program is the total number which will eventually be required. Since development of the medium range air-to-surface missile began, the Navy has repeatedly attempted to avoid funding its portion of the program cost, raising questions about the Navy's need and commitment to the procurement. Although the program is in full-scale engineering development, it has not yet been included in the Selected Acquisitions Reporting system.

Recommendations to Agencies: The Secretary of Defense

should direct the Secretary of the Navy to limit fiscal year 1983 and later year production rates of the Tomahawk conventional land attack missile to those which can be effectively used against a wide spectrum of high value targets.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the Secretary of the Navy to establish a total inventory objective for the Tomahawk missile which is based upon its limitations and potential additions to its target base. Any changes which result, in terms of numbers needed and its affect on program cost, should be included in the Selected Acquisition Reporting system.

Status: Action in process.

The Secretary of Defense should reevaluate the Navy's need for the medium range air-to-surface missile. If the need for the missile is reaffirmed, the Secretary should ensure that adequate funding is provided by the Navy to meet the missile's projected deployment date or revise the scheduled deployment date as appropriate. The Secretary should also require that the medium range air-to-surface missile be included in the Selected Acquisition Reporting system.

Status: Action in process.

Agency Comments/Action

Except for the first recommendation, DOD agreed in general with the recommendations. The Navy has undertaken actions on the second and third recommendations, but they have not been completed.

WEAPONS SYSTEMS

MISSION ANALYSIS

Mission Effectiveness of the AV-8B Harrier II Could Be Improved If Actions Are Taken Now
(MASAD-82-19, 2-26-82)

Departments of the Navy and Defense, and United States Marine Corps

Budget Function: National Defense: Weapons Systems (051.1)

GAO reviewed the AV-8B Harrier II program to provide Congress with a status report on its development. The AV-8B Harrier II is a light attack aircraft with vertical and short-takeoff and landing capability being developed by the Navy to provide close air support for Marine Corps amphibian forces. The AV-8B is designed to be a substantially improved version of the AV-8A aircraft currently used by the Marine Corps.

Findings/Conclusions: GAO stated that potential maintenance personnel shortages, shipboard space constraints, limited repair capabilities, and inadequate ground-support equipment could adversely affect the ability of the AV-8B to perform its mission. The Navy currently plans to purchase AV-8A trainer aircraft to use in training AV-8B pilots. Such a move was proposed in order to cut costs. However, GAO found that, due to changes in production cost, discontinuation of AV-8A production, major aircraft differences, and the ineffectiveness of the AV-8A as a trainer for AV-8B pilots, a better choice may be to develop a training model of the AV-8B. GAO also found that opportunities exist to improve the aircraft's survivability. Major improvements could include reducing the planes vulnerability to enemy ordnance, adding fire or explosion suppression systems, and reducing the engine's infrared signature. GAO concluded by saying that these survivability improvements could be made, but at the expense of increased program cost and reduced aircraft performance.

Recommendations to Agencies: The Secretary of Defense should require the Navy to develop adequate logistics support and support equipment to achieve the weapon system's operational mission and direct the Navy to plan for the quantity and skills of maintenance personnel needed to

support the aircraft when it becomes operational.

Status: Action in process.

The Secretary of Defense should direct the Navy to reevaluate its plan to purchase TAV-8A's and consider developing a TAV-8B after examining the relative costs and benefits of the two trainer aircraft.

Status: Action in process.

The Secretary of Defense should direct the Navy to determine the costs of developing and procuring a trainer aircraft, the 25-mm gun system, and other aircraft changes and include these costs in the AV-8B program cost estimate.

Status: Action in process.

The Secretary of Defense should direct the Navy to reevaluate the current AV-8B program to determine whether reduced annual procurement rates will adversely affect the Marine Corps' ability to meet its mission objectives.

Status: No action initiated: Affected parties intend to act.

The Secretary of Defense should direct the Navy to evaluate the cost effectiveness of increasing AV-8B combat survivability. If cost effective, design changes should be made before aircraft production, if possible.

Status: Action in process.

Agency Comments/Action

The principal Deputy Under Secretary of Defense for Research and Engineering stated that the GAO recommendations addressed issues which are familiar to his office and that these issues are currently being resolved.

WEAPONS SYSTEMS

MISSION BUDGETING

Budgetary Pressures Created by the Army's Plan To Procure New Major Weapon Systems Are Just Beginning (MASAD-82-5, 10-20-81)

Departments of Defense and the Army

Budget Function: National Defense: Weapons Systems (051.1)

GAO reviewed new weapon system acquisition programs to determine the likely effect on the budget for the next several years of financing the procurement, operation, and support of the Army's new major weapon systems and identifying ways for relieving the pressure which characterized the preparation of the Army's 1982-1986 5-Year Defense Program.

Findings/Conclusions: The 1970's marked the Army's most intensive peacetime effort to modernize its forces with new weapon systems. Most of the procurement of these systems became a reality in preparing the fiscal 1982 budget. With less funds available than were needed to procure the weapons in the quantities desired, together with substantial cost increases, the Army proposed to stretch out the production schedules of nearly all of the systems which would have resulted in higher prices and program delays. Additional funds in the revised fiscal year 1982 budget alleviated this problem. The systems production has been characterized by substantial cost growth, stemming mainly from the actual production processes being more complex than anticipated and requiring more labor hours and machine time. Much of the cost growth was due to inflation. The use of optimistic inflation rates in developing cost estimates also accounts for some of the cost growth. Operating and supporting the new weapon systems once they are fielded will require very large amounts of resources. Since the budgetary effect of operations and support will not be felt until after the weapons are deployed, these costs are not receiving as much attention as procurement costs. Fielding all of the systems will seriously strain the Army's resources. Most of the systems will require more skilled personnel, more fuel and ammunition, a greater expenditure for spare parts, and will impose a logistics burden on the Army.

Recommendations to Agencies: The Secretary of Defense should direct the Army to fully fund those new systems deemed by the Army to be essential to bring its missions to the desired capability, even at the expense of canceling or

reducing other acquisition programs.

Status: Action in process.

The Secretary of Defense should direct the Army to identify, in each 5-year plan, the additional resources that will be needed to operate and support all major weapon systems in inventory and to procure and determine the resources that can reasonably be expected to become available for these purposes so that the results of such assessments can be considered in procurement funding decisions. New major weapon system procurements should not be undertaken unless a positive determination has been made that the systems can be adequately operated and supported.

Status: Action in process.

The Secretary of Defense should direct the Army: (1) to ascertain, in consultation with the prime contractors, that foreseeable production risks of the 11 systems for which deliveries are still to begin have been identified; (2) to revise procurement cost estimates accordingly; and (3) to consider the steps necessary to forestall or minimize such risks.

Status: Action in process.

Agency Comments/Action

DOD stated that the report was factual and agreed with its findings, conclusions, and recommendations. The agency noted that unexpected cost growth applied to many sectors of American production activities, not just to the Army or DOD. DOD reported that the Army was establishing tighter controls over cost, such as the Program and Cost Control System, a centralized operation and support cost data base, and a 5-year program to upgrade cost estimating and the controllability of cost growth. DOD also believed that the Carlucci Actions of 1981 would improve control over cost growth. Since this response, the Army convened the Cost Discipline Advisory Committee whose first report on December 16, 1981, was a good analysis of the basic causes of cost growth which spelled out concrete actions to correct problems.

WEAPONS SYSTEMS

REQUIREMENTS

Reduced Performance and Increased Cost Warrant Reassessment of the Multiple Stores Ejector Rack (MASAD-82-26, 3-26-82)

Departments of Defense, the Air Force, and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

GAO examined the joint Air Force and Navy development program of an aircraft bomb carrier known as the Multiple Stores Ejector Rack (MSER), for which the Air Force plans to award a contract. GAO wanted to determine how well the services had defined their requirements and assessed alternative solutions.

Findings/Conclusions: GAO found that the services' interest in a common bomb rack has dwindled and that both the Air Force and the Navy are pursuing separate bomb rack developments. Plans by the Air Force and the Navy to procure other bomb racks increase the likelihood that they will find little, if any, common use for the MSER. There are also little supporting data to indicate that program goals, such as reduced maintenance, improved safety, or supersonic weapon delivery capability will be achieved and, in some cases, they may not be required. If the MSER program is to continue, there are other program goals requiring further examination. GAO found no data to show any safety problems with the current bomb racks; however, questions have been raised regarding the need for supersonic delivery capability and the ability of the MSER to achieve this goal. The Air Force and the Navy have not jointly evaluated either the continued validity of their goals or the feasibility of achieving the goals. The estimated development costs of the MSER have tripled, and average unit procurement costs could be 14 times greater than the cost of racks now in service. The development period has more than doubled and, because of protracted development, additional procurement of current racks may be required to support aircraft production or reserve requirements.

Recommendations to Agencies: The Secretary of Defense should require the Secretaries of the Air Force and the Navy to justify continuation of other bomb rack programs before further funding is permitted if the Multiple Stores Ejector Rack is determined to be the preferred bomb rack.

Status: No action initiated: Affected parties intend to act.

The Secretary of Defense should instruct the Secretary of the Air Force to delay the planned modification of the Multiple Stores Ejector Rack pending the results of an evaluation of the need for the common bomb rack, whether it will meet the Air Force and Navy requirements, and whether it is cost effective.

Status: No action initiated: Affected parties intend to act.

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to determine whether a common bomb rack is still needed, whether the Multiple Stores Ejector Rack (MSER) will meet Air Force and Navy requirements, and whether it is cost effective before authorizing a further expenditure of funds for the MSER.

Status: No action initiated: Affected parties intend to act.

Agency Comments/Action

The Navy stated that it determined a common bomb rack to be impracticable at this time. The principal Deputy Under Secretary of Defense for Research said review will continue to insure that, if a USAF/Navy standard is not achieved, at least individual service standards will be achieved. The Air Force is still committed to the MSER program. There will be no further procurement of the Air Force F-15 unique rack.

TESTING

Tests and Evaluations Still in Progress Should Indicate Division Air Defense Gun's Potential Effectiveness (C-MASAD-82-7, 2-26-82)

Unclassified digest of a classified report

Departments of Defense and the Army

Budget Function: National Defense: Weapons Systems (051.1)

GAO reviewed the Army's Division Air Defense gun system (DIVAD) because of the impending important decisions to be made both by the Secretary of Defense and Congress when the Army submits its request for the funding of DIVAD production.

Findings/Conclusions: A reliable assessment of the DIVAD gun's potential is not possible at this time. The system that emerged from prototype testing was not fully developed, several critical tests are still in progress, and evaluations of the results will not be available until a production decision is due. However, other important tests will not be completed or have been deferred until after the production decision, including the performance of DIVAD under a stressful environment and in intensive road and firing conditions. The DIVAD logistics supportability will not be fully evaluated until almost 2 years after a production decision. The Army's hands-off acquisition strategy used to procure DIVAD was a factor in testing delays and has affected scheduling some evaluations of the system's test results. Without the mobility test results, for example, important information on the DIVAD performance, reliability, and maintainability is lacking. To begin production without it constitutes a risk. GAO concluded that to assess the procurement strategy followed in procuring for the DIVAD system is premature at this stage. However, if the system comes through successfully in forthcoming tests and substantially meets the Army's requirements, these shortcomings could be overlooked. Regardless, the Department of Defense should be careful in applying this strategy to other systems since its success would hinge on many factors that vary with each acquisition.

Recommendations to Congress: Congress should condition

the obligation of fiscal year 1983 procurement funds it may approve for the Division Air Defense Gun System, by having the Secretary of Defense provide advance assurance that the system has adequately demonstrated that it meets the Army's performance requirements.

Status: Action in process.

Recommendations to Agencies: The Secretary of Defense should defer the production decision to allow completion of the durability and mobility testing and to provide the evaluation agencies more information and time to assess the Division Air Defense Gun System.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should make eventual production approval contingent on a positive indication that the Division Air Defense gun system will meet the Army's requirements for maintainability, logistics supportability, and ease of operation by the troops.

Status: Recommendation no longer valid/action not intended. *The agency has responded but not satisfactorily. GAO intends to do further work in a follow-on review.*

Agency Comments/Action

The Deputy Secretary of Defense has approved the DIVAD gun for production. At the DSARC meeting on May 4, 1982, it was agreed that the DIVAD gun has met most of its performance and system-level specifications. The Army was requested to take specific steps (unidentified in the Section 236 response) to overcome readiness and supportability shortcomings.

TESTING

Testing and Maintenance of Weapon Systems May Be Enhanced by the Design for Testability Concept (MASAD-82-38, 8-6-82)

Departments of Defense, the Air Force, the Army, and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

GAO reviewed the use of the design for testability concept in the development and acquisition of major weapon systems. The design for testability concept is an attempt to solve some of the current problems associated with weapon systems after they are deployed. Previous attempts to solve weapon system testing and maintenance problems have had mixed results.

Findings/Conclusions: GAO found that, under the sponsorship of the Joint Logistic Commanders Panel on Automatic Testing, the services are laying the groundwork to develop and implement the design for testability concept without determining its benefits and limitations. Design guides for testability as well as for new military standards defining its use are being prepared, but no effort is being made to ensure that the benefits of the concept outweigh the cost of implementation. The Air Force's Aeronautical Systems Division and the Naval Surface Weapons Center have management responsibility for most of the testability efforts. They have awarded contracts to industry to conduct most of the research. The goal is to implement the design for testability concept as early as possible. The Army has not played a major role in the Joint Logistic Commanders' design for testability program due to a lack of funds. However, the Army has done limited research in improving testability in nonelectronic systems. Although the development and implementation of the design for testability concept has progressed to the point where design guides are being prepared and issued, no serious effort has been made to demonstrate that its benefits will exceed costs, if implemented.

Recommendations to Agencies: The Secretary of Defense should require the services to determine if the benefits of the design for testability concept exceed its limitations before it is fully implemented within the Department of Defense and made a part of the weapon system acquisition process. This could be done by: (1) establishing a data base to identify testability cost and the affect on reliability, availability, and maintainability; and (2) prototyping a system designed for testability and comparing it to a similar system developed using standard design techniques.

Status: Action in process.

Agency Comments/Action

The Department of Defense concurs with the general content, thrust, and findings of the GAO report. As recommended by GAO, a data base to identify testability costs and the effect on reliability, availability, and maintainability is being made a prime objective. This is being done by the individual services as a part of their test and test equipment programs. Because equipment and systems are too different technically to permit valid comparisons of the application of the design for testability concept for one system as a broadly applicable basis for determining benefits or limitations to other systems, the concept will be implemented by the individual services as a part of the acquisition process on a case-by-case basis. The data required to assess benefits and limitations and to formulate required design guides will be provided through the ongoing efforts of a tri-service panel.

COMMUNICATIONS MANAGEMENT

Reduced Communications Costs Through Centralized Management of Multiplex Systems (LCD-80-53, 5-14-80)

Department of Defense, General Services Administration, Office of Management and Budget, and National Telecommunications Information Administration

Budget Function: National Defense: Telecommunications and Radio Frequency Spectrum Use (Military-Related) (051.4)

The Government's use of multiplex communications technology and the potential for increased exploitation of the technology to reduce long-distance communications costs are described. Long-distance and local communications services are used by the Government to process administrative data between user locations, to make computer inquiries, and to make high-speed bulk transfers of data between user locations. Significant savings and improved service can be achieved through centralized use of multiplex systems to satisfy Government communications requirements. Multiplexing, a technique whereby electronic devices at each end of a single circuit simultaneously transmit a number of messages, eliminates the need for numerous individual long-distance circuits between terminal points. The Department of Defense (DOD) and several civil agencies have developed multiplex systems, but not on a centralized Government-wide basis. If two Federal agencies could agree to share their multiplex systems under either joint or single management, the opportunities for economic benefits should increase. If all Federal agencies could agree, the opportunities for economic benefits should be maximized.

Findings/Conclusions: Annual cost savings information on the 643 DOD operational multiplex systems is no longer maintained. An annual savings of over \$1.2 million has been achieved by three of the 240 existing civil multiplex systems agencies. Potential cost savings from centralized Government-wide development of multiplex systems cannot be estimated. However, GAO believes that about 7,650 of the 8,500 individual circuits operating directly between 39 geographic locations are candidates for multiplexing. The potential cost savings was demonstrated by creating theoretical multiplex systems in place of existing individual circuits between Washington, D.C., and five metropolitan areas. An analysis showed that 105 high speed circuits had potential for multiplexing which could reduce annual costs 42.2 percent. For the 293 low- and medium-speed circuits with the potential for multiplexing, a net savings of 68.8 percent could be achieved. Multiplex devices are manufactured in fixed capacities, so users often acquire more capacity than they need. The cost effectiveness of existing multiplex

systems could be improved if the unused capacity of one user's system is made available to other users. As a result of a GAO 1973 report on multiplexing, DOD and the General Services Administration (GSA) executed an agreement for joint use and sharing of a multiplex system. GSA has not yet forwarded a civil agency requirement to DOD. Of the 78 spare DOD channels linking Washington, D.C., and four geographic areas, 46 could be used to satisfy civil agency requirements at a net savings of 53.7 percent.

Recommendations to Agencies: The Director, Office of Management and Budget, in coordination with the National Telecommunications and Information Administration, GSA, DOD, and other Federal agencies, should develop a policy, organizational structure, and implementing regulations to ensure that the Government is achieving the maximum benefits from multiplexing. The policy should require the use of multiplexing where economically and operationally feasible on a Government-wide basis. A single entity should be assigned responsibility for developing and managing multiplex systems for the entire Government. This entity must have the authority, necessary information, and adequate resources to fulfill the Government-wide management function envisioned. The implementing regulations should be designed to require compliance with the policy and to provide procedures that will ensure maximum benefits to the Government from multiplex technology.

Status: Action in process.

Agency Comments/Action

OMB believed that a comprehensive approach, rather than focusing solely on multiplexing, to management of Federal telecommunications would be the most beneficial approach. OMB recognized that savings and improved service may be achieved through increased use of multiplex systems. OMB planned to ask the National Telecommunications and Information Administration to identify specific actions to improve utilization of multiplexing techniques in the context of its studies and GSA and DOD to report on their programs, including problems, associated with their joint multiplex sharing agreement.

NON-DEFENSE BUDGET FUNCTIONS

ACCOUNTING SYSTEMS

Defense's Accounting for Its Contracts Has Too Many Errors--Standardized Accounting Procedures Are Needed
(FGMSD-80-10, 1-9-80)

Departments of Defense, the Air Force, the Army, and the Navy, and Defense Logistics Agency

Budget Function: Financial Management and Information Systems (998.0)

Legislative Authority: Antideficiency Act (31 U.S.C. 665). Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66). Arms Export Control Act (22 U.S.C. 2762).

The Department of Defense (DOD) devised the Military Standard Contract Administration Procedures in 1966 to facilitate uniform contract administration of DOD contracts by exchanging contract administration data in automated form among the military services and Defense Contract Administration Services regions. It is the responsibility of these regions to administer most DOD contracts and to ensure that the unnecessary duplication of contract management functions are eliminated. As of March 30, 1979, the regions were acting as this middle manager between the Government buyer and DOD contractor for 250,000 contracts valued at \$73 billion. A review of 8 of the 48 DOD organizations heavily involved with contract management focused on the Standard Procedures which required uniform coding and processing of financial data.

Findings/Conclusions: Although the Administration Procedures were to have been implemented by 1970, this goal has still not fully been achieved, thus resulting in numerous clerical errors in interpreting a variety of nonstandard forms, codes, and financial transactions. Nonstandard contract accounting procedures used by Defense components cause substantial errors in reporting, recording, and controlling contract financial data, at a cost of millions of dollars in unnecessary personnel and other costs due to duplication of accounting functions. While DOD officials have resisted implementation of the Procedures, GAO estimated that their full implementation and elimination of duplicate operations

at the eight locations alone could reduce DOD costs by up to \$2.7 million annually. Accounting errors of over \$90 million were identified on 286 of the 856 transactions reviewed for 26 contracts.

Recommendations to Agencies: The Secretary of Defense should require the Defense Contract Administration Services regions to assure the accuracy of the financial transactions processed and sent to the military services.

Status: Action completed.

The Secretary of Defense should: require the implementation of the Military Standard Contract Administration Procedures in all Defense systems involved with contract accounting and management; and direct the Assistant Secretary of Defense (Comptroller) to require specific timetables from the military services on implementation dates for the Military Standard Contract Administration procedures. The Comptroller should also actively monitor the implementation and require corrective action, when necessary, to ensure timely, effective implementation.

Status: Action in process.

Agency Comments/Action

The accuracy of financial data reported by the Defense Contract Administration Service will be verified, and the Military Standard Contract Administration procedures will be implemented.

NON-DEFENSE BUDGET FUNCTIONS

ACCOUNTING SYSTEMS

The Air Force Has Incurred Numerous Overobligations in Its Industrial Fund (AFMD-81-53, 8-14-81)

Departments of Defense and the Air Force, and Office of Management and Budget

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

Legislative Authority: Antideficiency Act (31 U.S.C. 665). Accounting and Auditing Act. Budget and Accounting Procedures Act of 1950. Department of Defense Appropriation Act, 1954. Department of Defense Appropriation Act, 1972. Department of Defense Appropriation Act, 1981 (P.L. 96-527). 51 Comp. Gen. 598. 51 Comp. Gen. 605. P.L. 87-651. OMB Circular A-34. H.R. 3598 (78th Cong.). B-159141 (1967). 10 U.S.C. 2210. 10 U.S.C. 2208. 50 U.S.C. 412. 31 U.S.C. 66 et seq. 94 Stat. 3087. 76 Stat. 506. 76 Stat. 521. 76 Stat. 522.

GAO reviewed aspects of financial operations in the Air Force industrial fund to determine whether procedures for the financing of, accounting for, and reporting results of Air Force industrial fund operations were in accordance with existing statutes, the intent of Congress, and applicable Federal guidance and regulations. GAO made this review pursuant to its responsibilities under the Accounting and Auditing Act for reviewing agency accounting systems from time to time.

Findings/Conclusions: The Air Force has incurred numerous overobligations in its industrial fund in recent years and failed to report the deficiencies to the President and Congress as required by the Antideficiency Act. In addition, the Air Force illegally adjusted industrial fund account balances on yearend certified financial reports. Because of the adjustments, these violations of the Act were not apparent on the yearend reports. The Act provides for administrative control over funds by restricting obligations and expenditures to amounts appropriated by Congress and, where applicable, apportioned by the Office of Management and Budget (OMB). The Air Force industrial fund provides goods and services to customers on a cost-reimbursable basis. The fund obligations are limited to available budgetary resources which include balances on deposit with the Treasury, accounts receivable, and unfilled customer orders. The adjustments to the yearend reports have been approved each year by an Air Force internal financial management review committee which contended that the practice of obligating the industrial fund against anticipated customer orders, and adjusting yearend balances accordingly, is supported by internal legal decisions. However, those rulings were based on the erroneous assumption that, because the Air Force industrial fund is exempt from the apportionment process, OMB provisions for administrative control of funds and restrictions on the use of reimbursements do not apply. Neither the Department of Defense nor OMB have questioned the deficiencies in the Air Force monthly reports.

Recommendations to Congress: If Congress wishes the Air Force to continue to fund these contracts through the in-

dustrial fund, it should enact legislation that will provide the budgetary resources to finance the contracts. To provide sufficient budgetary resources, Congress should authorize the industrial fund to be given contract authority. Such authority should be made subject to appropriate controls similar to those now being applied to certain Defense stock funds which currently have contract authority.

Status: Action in process.

Recommendations to Agencies: The Secretary of Defense should have the Secretary of the Air Force: (1) stop the practice of obligating the Air Force industrial fund in excess of available budgetary resources; (2) report only those budgetary resources as defined by OMB on yearend financial reports; and (3) determine the correct industrial fund account balances since fiscal 1970, together with all pertinent facts and circumstances concerning the overobligations, and report all overobligations to the President and Congress as required by law.

Status: No action initiated: Date action planned not known.

The responsible officials in the Air Force, Department of Defense, and OMB should make sure that their procedures for reviewing monthly and yearend financial reports are adequate to detect improper reporting practices and balances that indicate fund deficiencies.

Status: Action completed.

Agency Comments/Action

In its May 1, 1981, response to the draft report, DOD strongly disagreed with the findings and recommendations. On October 21, 1981, the Assistant Secretary of Defense (Comptroller), in reply to the final report, stated that earlier position of DOD was unchanged but added that it hoped the matter would be resolved due to an investigation by the appropriate congressional committees. Action has not yet been taken by DOD. OMB agreed with the recommendations and is pursuing the possibility of better controls to detect such problems and said that it would "focus more attention on this area in the future."

NON-DEFENSE BUDGET FUNCTIONS

ACCOUNTING SYSTEMS

Defense Continues To Subsidize Sales of Secondary Items to Foreign Governments Because of Poor Pricing Policies

(AFMD-81-105, 10-5-81)

Departments of Defense, the Army, the Navy, and the Air Force

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

Legislative Authority: Arms Export Control Act

GAO evaluated recent Department of Defense (DOD) actions to improve its financial management of the foreign military sales program and to reduce its budget by eliminating subsidies to the program. GAO focused on the actions taken by DOD to revise and implement the policies, procedures, and accounting systems used to price sales of secondary items to foreign customers. GAO also discussed whether prices billed to foreign customers for secondary items were adequate to replace the items in DOD inventories and thus avoided subsidization of the program.

Findings/Conclusions: DOD continues to make large subsidies to the foreign military sales program because prices charged for secondary items sold from DOD inventories are not sufficient to replace the items. Although GAO reported this situation 3 years ago, DOD has not taken adequate corrective actions. The foreign military sales program was subsidized through DOD appropriations by over \$8 million at the four inventory control points visited by GAO. Underbillings occurred primarily because compound inflation factors were not applied and the rate of inflation used to estimate the replacement costs was unrealistically low. DOD procedures require only a single year's inflation rate to be added to the inventory price to recover estimated replacement cost. Subsidies are also occurring because foreign customers are not charged an equitable share of normal inventory losses. GAO found that foreign governments who had not established long-term contracts for supply support were participating in and benefiting from the DOD logistics system and, thus, should bear the expenses of inventory storage. The Arms Export Control Act requires that, if items sold from inventory by DOD are intended to be replaced, the prices charged to foreign customers must cover the replacement costs of those items. The DOD establishment of a quality assurance unit to monitor foreign sales pricing should adequately detect and resolve the type of pricing problems described. Collection attempts to recover underbillings should be initiated as soon as undercharges are discovered.

Recommendations to Congress: Congress should amend the Arms Export Control Act to require that all sales from

DOD inventories reflect the cost of normal inventory losses.

Status: Recommendation no longer valid/action not intended. *DOD is taking other policy action that it feels will correct the problem.*

Recommendations to Agencies: The Secretary of Defense should prescribe a more realistic inflation index.

Status: Action in process.

The Secretary of Defense should direct the military services to make every reasonable effort to recover from foreign governments the past undercharges in sales of secondary items.

Status: Recommendation no longer valid/action not intended. *Because DOD generally disagreed with the findings and conclusions, no past undercharges will be recovered.*

The Secretary of Defense should use the quality assurance unit recently established at the Security Assistance Accounting Center to ensure that DOD components adequately and uniformly implement the revised estimation procedures.

Status: Action in process.

The Secretary of Defense should instruct DOD components to use compound inflation factors when estimating replacement cost.

Status: Recommendation no longer valid/action not intended. *DOD believes the inclusion of a more realistic inflation factor will solve the problem.*

Agency Comments/Action

DOD concurred on three of five recommendations including the most important recommendation, to prescribe more realistic inflation rates. Also, it concurred in the need for a quality assurance pricing unit and for recovery of past undercharges from foreign customers. However, the latter is relatively meaningless since DOD does not agree that there were undercharges. All recommendations were topics of FMS hearings this spring before the House Appropriations Committee. Although the Committee agrees with the positions, it has not issued a report.

NON-DEFENSE BUDGET FUNCTIONS

ACCOUNTING SYSTEMS

Improvements Needed in Operating and Using the Army Automated Facilities Engineer Cost Accounting System

(AFMD-82-27, 5-19-82)

Department of the Army

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

Legislative Authority: Accounting and Auditing Act.

GAO reported on the need for the Army to improve its automated Facilities Engineer Job Order Cost Accounting System and to better utilize it in managing the operation and maintenance of real property facilities. The review was made to determine whether the Army was operating and using the system in accordance with the approved system design.

Findings/Conclusions: The Army has invested much time and money in designing and implementing this cost and accounting system. By 1982, it had been implemented at about 70 installations. Ultimately, the Army plans to extend the system to about 150 installations around the world. However, users have not been convinced that the system is sound and that could lead to more efficient and effective operations. At the installations, cost accounting system data were not being effectively used to manage facility engineer operations. Managers were not being held fully accountable for project costs incurred. At the installations visited, reported actual costs incurred on about 80 percent of the projects varied by more than 10 percent from the estimated costs. On 40 percent of the projects reviewed, reported actual costs varied by more than 50 percent from estimated costs. Managers did not research these variances and, therefore, did not know why they occurred or how to correct them. Because managers were not using the system, personnel had little incentive to see that system data were accurate, complete, and timely. GAO approved the system design 5 years ago with the understanding that certain problems would be corrected, but this has not been fully accom-

plished. Adequate training has not been provided to user personnel. Because cost reports produced by the system are so lengthy and do not present data in convenient formats, facility managers have been reluctant to use them. GAO believes that, with the incorporation of the design changes, the system is worthwhile.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Army to: (1) direct installation operating personnel to prepare and enter cost information into the system in an accurate, complete, and timely manner; (2) revise cost report formats to permit ready use by management and to include more use of management exception reports; (3) correct the two system design deficiencies which GAO identified when it approved the system; (4) adequately train system users to operate the system and use its reports; and (5) make sure through periodic review that managers use the cost data and other information contained in the automated Facilities Engineer Job Order Cost Accounting System to effectively maintain and operate Army facilities.

Status: Action in process.

The Secretary of Defense should take these actions before the system is implemented at the remaining installations scheduled for conversion.

Status: Action in process.

Agency Comments/Action

DOD concurred with all of the recommendations.

NON-DEFENSE BUDGET FUNCTIONS

ACCOUNTING SYSTEMS

Review of Use of Appropriated Funds for Defense Commissary Operations (AFMD-82-45, 8-11-82)

Departments of Defense, the Navy, the Air Force, and the Army, and United States Marine Corps

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

Legislative Authority: Department of Defense Appropriation Act, 1952 (P.L. 82-179). DOD Directive 1330.17.

GAO reviewed whether the Department of Defense (DOD) took appropriate action to comply with the intent of Congress regarding the proper funding of certain operating expenses. The review was designed to provide Congress with information to use in considering future DOD appropriation requests.

Findings/Conclusions: GAO found that, during fiscal year (FY) 1980, the Army, the Air Force, and the Marine Corps used \$3.8 million in appropriated funds for intrabase transportation, purchase and maintenance of equipment, supplies, and utilities. GAO believes that the Armed Services should use commissary revenues to reimburse appropriated funds for all such expenses incurred since the beginning of FY 1976. The Armed Services have provided equipment without charge for use in support of commissary operations and because the commissaries may not have a permanent need for some of this equipment. GAO believes that appropriated funds should be reimbursed in an amount equal to either the cost of the equipment or an appropriate rental charge. In FY 1977, the Air Force used \$3.6 million in appropriated funds for the purchase and maintenance of data processing equipment to be used exclusively in its commissary system. This use of funds was prohibited by law. Congressional prohibition against the use of appropriated funds to subsidize certain commissary operating expenses is longstanding. Despite this, such use continues because the

military services have adopted widely divergent funding practices that conflict with the intent of Congress and Defense Directives.

Recommendations to Agencies: The Secretary of Defense should direct the military services to use existing commissary revenues to reimburse appropriated funds for the following: (1) expenses incurred for the cost of intrabase transportation, purchase and maintenance of operating equipment, supplies, and utilities for commissaries, beginning with FY 1976; (2) the cost of, or a reasonable rental charge for, equipment used primarily to support commissary operations; and (3) the cost of purchasing and maintaining the data processing equipment purchased by the Air Force in FY 1977 for the commissary system.

Status: Action in process.

The Secretary of Defense should emphasize to the military services the need to comply with existing Defense Directives in funding commissary operations in future years.

Status: Action in process.

Agency Comments/Action

At this point, DOD has realized that it is unable to respond within the required period of time. An interim response, indicating that a detailed Section 236 response would be forthcoming, has been received.

NON-DEFENSE BUDGET FUNCTIONS

AUTOMATIC DATA PROCESSING

The Navy's Computerized Pay System Is Unreliable and Inefficient--What Went Wrong? (FGMSD-80-71, 9-26-80)

Departments of Defense and the Navy

Budget Function: Financial Management and Information Systems (998.0)

Legislative Authority: 2 GAO 31.

Over the last 12 years, the Navy has spent more than \$150 million to develop and operate a central automated military pay system that is largely unreliable and inefficient. Although GAO approved the system design, it is not working as designed because it was not implemented as designed.

Findings/Conclusions: Two studies conducted in 1978 revealed that 42 percent of 291 selected pay accounts reviewed were inaccurate and 52,200 accounts remained in an overpaid status for more than 90 days. In 1979, GAO found that 34 of the accounts were in error in amounts ranging from \$5 to over \$1,800. The major problems with the system stem from the lack of timely and accurate input data from field organizations to the central computer. Field units average 12 days to prepare input as opposed to the 3 days required by the system design. The approved system design required an automated control over rejects, but management does not rely on it for control purposes because the automated system was not properly implemented. Navy management did not establish overall goals and objectives to measure pay system performance as required by the Assistant Secretary of Defense (Comptroller). The Assistant Secretary's office did not provide the necessary guidance and monitoring of the Navy's pay system development and implementation, or require the Navy to comply with the Department of Defense requirements for managing the automated pay system. It has not determined whether the Navy implemented the pay system design as approved by GAO. Changes made in creating a parallel manual system would not have been approved by GAO if the changes had been submitted to GAO as required. The quality of the input was also very poor. Despite costly efforts to overcome system inefficiencies, the system continues to operate inadequately.

Recommendations to Agencies: The Secretary of Defense should require the Secretary of the Navy to improve the reliability, efficiency, and effectiveness of the Navy's military pay system by requiring commanding officers, disbursing officers, and administrative officers to operate the pay system as designed and as approved by GAO. Target dates should be established for reducing the extent of the manual effort now required to make the system work. As the automated system becomes more effective, reliance upon the manual system should be considerably reduced, thereby eliminating the parallel manual system.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Navy to expedite the Navy's plans to transmit input data

to the Finance Center electronically rather than by mail.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Navy to strengthen supervisory controls over pay technicians' resolutions of system rejections.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Navy to identify those organizations which submit untimely and erroneous pay data and take corrective action as indicated.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Navy to set a standard for when an override of computer-produced Leave and Earnings Statements by all local disbursing officers can take place. This standard could vary with the rank of the member.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Navy to comply with Defense requirements to carry out the policies prescribed for developing and operating the military pay system.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should require the Secretary of the Navy to insure that internal auditors periodically report to top management on the progress responsible officials are making toward operating the system as designed and in meeting the established goals and objectives.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Navy to comply with all Defense policies and procedures in future work now planned to correct the problems with the automated pay system.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should require the Secretary of the Navy to establish procedures to measure system effectiveness. This should include defining goals and objectives in measurable terms, identifying applicable performance indicators to be measured, and developing standards against which performance can be measured. At the same time, responsible officials should be required to operate the pay system as designed and as approved.

Status: Action in process.

Agency Comments/Action

On January 5, 1981, the Assistant Secretary of Defense (Comptroller) concurred with the intent of the recommendations but took issue with GAO for not showing what had

been done to improve the system and for not assessing planned improvements. Subsequently the Navy, in a series of meetings with GAO, disclosed improvements that initiated subsequent to the issuance of the report.

NON-DEFENSE BUDGET FUNCTIONS

AUTOMATIC DATA PROCESSING

Agencies Should Encourage Greater Computer Use on Federal Design Projects (LCD-81-7, 10-15-80)

Departments of Defense and Energy, General Services Administration, Office of Federal Procurement Policy, Office of Management and Budget, United States Postal Service, and Veterans Administration

Budget Function: General Government: Other General Government (806.0)

Legislative Authority: P.L. 92-582.

Federal agencies are not actively seeking or encouraging the use of computers on Federal design projects. As a result, they are missing opportunities to achieve significant savings and to improve the quality of Federal building designs.

Findings/Conclusions: GAO found that Federal officials and agency procedures and practices often limit and hamper the use of computers on Federal projects. Agencies generally have not created an environment wherein the efficient use of computers is possible. Fee proposal forms used by most engineering services do not recognize the possible use of computers or provide a place for computer service costs to be included as direct costs in proposals. During contract negotiations, agency personnel rarely discuss the planned use of computers on a project. Even during the architect-engineer selection process, most agencies ignore computer capability.

Recommendations to Agencies: The heads of departments and agencies procuring architect-engineer services should encourage employees to stay current on new and improved uses of computers in their individual areas of expertise.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should provide appropriate training--courses, seminars, newsletters, etc.-- on the capabilities and uses of computers in design to their employees. Employees receiving this training should include those involved in selecting design firms, negotiating contracts, managing projects, and reviewing designs.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should require that architect-engineer contract negotiators routinely discuss and evaluate planned use of computers when negotiating design contracts.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should revise the criteria used in evaluating the overall qualifications of firms for design contracts to include computer capability and expertise.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should provide sufficient technical support to contract negotiating teams. This support should include personnel with sufficient knowledge about computer use and the related costs to enable teams to realistically evaluate the planned use of computer methods and

negotiate a fair and reasonable fee for the services to be provided.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should: (1) direct that computer use be required for those analyses and design functions which can be done more efficiently and accurately by computer-aided methods and which are critical to the end product, in terms of safety, energy consumption, and life-cycle costs; and (2) encourage computer use in all areas when the quality of the design or the structure to be built can be improved when computer aids are used.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should require computer capabilities and expertise to be considered and evaluated when selecting architects and engineers for projects on which computer-aided design methods, such as energy analyses, can be used.

Status: Action completed.

The Administrator of the Office of Federal Procurement Policy with the concurrence of the Director of the Office of Management and Budget should require the Department of Defense and the General Services Administration to implement the new policy by revising the Defense Acquisition Regulations and the Federal Procurement Regulations, respectively, and jointly insuring that this policy is incorporated into the new Federal Acquisition Regulations currently being developed.

Status: Action in process.

The Administrator of the Office of Federal Procurement Policy with the concurrence of the Director of the Office of Management and Budget should promulgate an architect-engineer policy which establishes that: (1) fee negotiations will be based on proposals which clearly identify tasks which will be performed by firms providing architect-engineer services and, when applicable, indicate how computers will be used on the project; (2) procedures for pricing computer services will be flexible, as long as the method used is the same as the firm uses for all its clients, both public and private, and conforms with existing Federal procurement regulations; and (3) a structured task-oriented fee proposal format will be developed and the use of preprinted fee proposal forms will be discontinued, permitting architect-engineer firms to submit their fee proposals in the prescribed structured format on their own stationery.

Status: Action in process.

The Executive Secretary, Federal Construction Council, Building Research Advisory Board, should direct the Council to take an active role in the training of the appropriate Federal personnel about the capabilities and uses of computers by: (1) pulling together the diverse information available on the general use of computers in design, existing computer-aided design tools and methods, and advances in the state of the art of computer-aided design; (2) developing the information into specific educational sessions for presentation to Federal personnel; and (3) actively sponsoring these special educational sessions and other conferences.

Status: Action completed.

Agency Comments/Action

This report covers multiple agencies. In general, the agencies have taken actions to implement the recommendations or the intent of the recommendations directed to agency heads. The Federal Construction Council has implemented the recommendation made to it. The Office of Federal Procurement Policy has initiated action to revise Federal procurement regulations as recommended.

NON-DEFENSE BUDGET FUNCTIONS

AUTOMATIC DATA PROCESSING

Need for Better Management of the Armed Forces Radiobiology Research Institute (AFMD-82-74, 5-24-82)

Department of Defense and Defense Nuclear Agency

Budget Function: Automatic Data Processing (990.1)

In response to a congressional request, GAO reviewed the management of the Armed Forces Radiobiology Research Institute. The Institute's mission is to conduct research on the effects of radiation on living organisms and related matters that are essential to the operational and medical support of the Department of Defense (DOD). GAO was asked to address: management and control of the Institute's automatic data processing (ADP) equipment, software programs, and operations; award and administration of contracts; unauthorized use of ADP facilities; control and protection of Institute assets; administration of time and attendance reporting; and corrective actions taken or planned.

Findings/Conclusions: GAO found that the Institute's computer systems were greatly underutilized during 1981. Despite this, the Institute's ADP plan shows an intent to acquire additional ADP capacity over the next 3 years. The underutilization developed because the Institute did not fully justify its ADP procurements, lacked sufficient staff to develop software as needed, and did not adequately plan ADP requirements. Although all but one of the computers acquired were purchased using sole-source procedures, adequate justification for such procurement could not be found. The Institute lacks proper controls over its ADP maintenance contracts and has not assessed the cost effectiveness of the current arrangement. Facility security at the Institute is generally adequate; however, possible unauthorized use of the facilities by authorized people cannot be determined from agency records. The Institute's inventory records do not accurately account for its equipment resources. In addition, the Institute's time and attendance reporting has not been administered well. The Institute has taken or plans corrective actions to address most of the recommendations made by the Defense Audit Service in 1980. However, action on two recommendations has not been taken. The Institute has not yet established a formal peer review of its research program, and the Institute's funding requirements are not separately identified in the Defense Nuclear Agency's formal budget presentation.

Recommendations to Agencies: The Director of the Defense Nuclear Agency should provide adequate staff resources to improve accountability for the Institute's assets.
Status: Action in process.

The Director of the Defense Nuclear Agency should require the Director of the Armed Forces Radiobiology Research Institute to explore the potential benefits of less expensive maintenance procedures for infrequently used computer systems.

Status: Action in process.

The Director of the Defense Nuclear Agency should require

the Director of the Armed Forces Radiobiology Research Institute to move the responsibility for administering ADP maintenance contracts to the Computer Sciences Department and require that department to properly document contractor performance.

Status: Action completed.

The Director of the Defense Nuclear Agency should require the Director of the Armed Forces Radiobiology Research Institute to analyze staffing to see how many computer programmers would be needed to keep pace with software requirements as they develop.

Status: Action in process.

The Director of the Defense Nuclear Agency should require the Director of the Armed Forces Radiobiology Research Institute to establish a reporting process that discloses to top management information on computer usage, adequacy of data processing support provided to users, and status of software support requests.

Status: Action in process.

The Director of the Defense Nuclear Agency should require the Director of the Armed Forces Radiobiology Research Institute to follow procedures governing ADP procurements.

Status: Action in process.

The Director of the Defense Nuclear Agency should require the Director of the Armed Forces Radiobiology Research Institute to declare a moratorium on any further ADP procurements until the Institute develops an ADP master plan that identifies the computer hardware, software, and people needed to support the institute's 5-year research plan.

Status: Action in process.

The Director of the Defense Nuclear Agency should require the Director of the Armed Forces Radiobiology Research Institute to declare as excess one of the three main computers and one or two of the smaller ones that have not been used for the last several months.

Status: Action completed.

Agency Comments/Action

The Defense Nuclear Agency agreed with all eight recommendations included in the report. Actions taken or promised include: (1) declaring as excess one of the three main computer systems; (2) declaring a moratorium on any further ADP procurements until a master plan is developed; (3) developing formal procedures for ADP procurements; (4) establishing an ADP reporting process for top management; (5) analyzing requirements for additional computer programmers; (6) reorganizing management of computer

maintenance contracts; (7) performing a cost/benefit analysis of computer maintenance procedures; and (8) reorganizing property management to improve property accountability.

NON-DEFENSE BUDGET FUNCTIONS

COMPENSATION

Military's 1-Year "Look Back" Retirement Provision Should Be Revoked (FPCD-82-38, 8-20-82)

Departments of Defense, the Navy, the Army, and the Air Force, and United States Marine Corps

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)

Legislative Authority: 10 U.S.C. 1401a(e). 10 U.S.C. 1401a(f).

An administration proposal to reform the military retirement system is pending before Congress. Among other things, this proposal seeks to eliminate one of two "look back" provisions currently in effect. The provision to be eliminated allows new retirees to look back one previous pay scale for the purpose of calculating initial retired pay, plus the intervening retired pay cost-of-living adjustments. The second provision allows new retirees' initial retired pay to be calculated by using any previous active duty pay scale in effect on or after January 1, 1971, but at the grade and longevity step at which the member was eligible to retire at under the previous pay scale. Because both provisions affect the retirement system's cost and equity, GAO conducted a review to determine whether the administration's position to eliminate the first provision was justified and to determine if the services can justify the continued use of either provision.

Findings/Conclusions: Establishing a new retired pay adjustment mechanism could substantially reduce future costs of both provisions. In fact, the first provision would become inoperative and there would be no need to revoke it. The second provision would continue to have value, but at a reduced level, for some active duty members who currently have more than 20 years of service. However, it too would soon become worthless after the retirement of individuals in this category. The amount saved would depend on several factors, the most important being the amount by which the retired pay adjustment percentage exceeds the active duty pay increase. Eliminating either provision would produce only minimal savings in the current fiscal year. Furthermore, due to the unpredictability of future economic conditions, it is impossible to accurately project the savings to be gained from eliminating either of the provisions. GAO found that the 1-year "look back" provision now benefits most of those members who retire as soon as they are eligible. The multiyear provision could potentially benefit members of any rank who remain on active duty beyond 20 years of

service, but those who benefit the most are senior officers who have had their pay limited by the Federal executive level pay cap. GAO found that the services have not demonstrated that the multiyear "look back" is a cost-effective tool. **Recommendations to Congress:** Congress should repeal the 1-year "look back" provision authorized in 10 U.S.C. 1401a(e).

Status: Action in process.

Recommendations to Agencies: The Secretary of Defense should task the services with developing data by September 30, 1983, to show whether retention of senior careerists well beyond 20 years of service has been or is expected to be a problem and if the multiyear "look back" is cost-effective and necessary for dealing with the problem, if the administration's legislative proposal is not enacted.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should prepare and submit to Congress a legislative proposal to repeal 10 U.S.C. 1401a(f), if the services cannot document the need and cost effectiveness of the multiyear "look back" provision. The repeal provision should contain a provision that the retired pay for individuals who retire after the effective date of repeal would be less than it would have been had they retired on the day before the effective date of revocation. Further, if the Secretary of Defense determines that adequate alternatives are not available to retain those senior officers the services want and need to remain on active duty, he should seek legislative authority for a suitable alternative to be used selectively.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

On October 22, 1982, DOD officials stated that they were actively working on a response but it would not be completed for some time. Currently, DOD estimates its response will be submitted to GAO in mid-December.

NON-DEFENSE BUDGET FUNCTIONS

FACILITIES MANAGEMENT

Cleaning Up Nuclear Facilities: An Aggressive and Unified Federal Program Is Needed (EMD-82-40, 5-25-82)

Departments of Energy and Defense, Nuclear Regulatory Commission, and Environmental Protection Agency

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)

Legislative Authority: Reorg. Plan No. 3 of 1970. S. 2284 (97th Cong.).

GAO conducted a review to determine the status of Federal efforts and activities to correct decommissioning problems identified in a prior report. In addition to following up on the implementation of the recommendations for correcting these problems, GAO also evaluated how effectively the Nuclear Regulatory Commission's (NRC), the Department of Energy's (DOE), the Department of Defense's (DOD), and the Environmental Protection Agency's (EPA) decommissioning and standard-setting programs were functioning. The review was made as part of a continuing effort to identify issues in the nuclear area, which will provide public health and safety through better Federal program administration.

Findings/Conclusions: Nuclear facilities and sites which require or eventually will require cleanup or other disposition can be tracked, evaluated, and recorded for followup action if needed. In the past, nuclear facilities and sites were abandoned or decommissioned without adequate documentation of their radiological status or even a record of their existence. As a result, Federal agencies are uncertain about the location or status of some facilities and sites that may be in need of decommissioning. NRC, DOE, DOD, and EPA are attempting to locate and evaluate the hazards at old, inactive sites. Despite the problems that inadequate record-keeping systems have caused Federal agencies, only DOE is revising its current recordkeeping system to provide sufficient information on the location and radiological condition of its current and future nuclear facilities and sites. Federal decommissioning programs have not sufficiently considered and incorporated decommissioning needs during the facility planning and design phase. DOE and NRC are making some progress in developing comprehensive decommissioning policies which include many of the necessary provisions. DOD has not initiated action to develop a comprehensive decommissioning policy. Standards prescribing acceptable levels of residual radioactive contamination for decommissioned nuclear facilities are not expected to be available until mid-1986. EPA is responsible for setting these standards, but has not done so because it considers their development a low priority.

Recommendations to Congress: Congress may wish to consider the general approach, suggested by DOE and discussed in this report, related to problems faced in cleaning up and providing funding mechanisms for future facilities.
Status: No action initiated: Date action planned not known.

Congress, as part of its oversight and budgetary review responsibilities, may wish to closely evaluate the overall priorities of DOE and work with DOE in revising these priorities to provide a consistent flow of funding for cleaning up

the inactive facilities.

Status: No action initiated: Date action planned not known.

Congress may wish to consider providing DOE with the authority to carry out remedial cleanup activities for 20 sites under its Formerly Utilized Sites Program.

Status: Action in process.

Congress, through its legislative and oversight committees, may wish to take an active role in assuring that radiation standards, to guide decommissioning of nuclear facilities, are issued as soon as possible.

Status: No action initiated: Date action planned not known.

Congress should designate NRC as the lead Federal agency for developing and monitoring the implementation of a national policy for the decommissioning of nuclear facilities and sites, ensuring that DOE and DOD provide assistance and input to NRC in developing this policy.

Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Chairman of NRC should revise the NRC recordkeeping system to provide for prompt identification of licensees who have stopped operations, effective monitoring of licensee control over contaminated facilities, assurance that facilities are cleaned up when licenses are terminated, and the development and permanent retention in a central repository of records documenting decommissioning activities.

Status: Action in process.

The Chairman of NRC should reevaluate and, if at all possible, accelerate the NRC timetable for issuing a decommissioning policy with a view toward shortening the time required to submit a paper to the Commissioners. Shortening the timetable would enable NRC to institute earlier front-end planning and funding requirements for decommissioning NRC-licensed facilities as a condition of licensing. The funding requirements should also be made applicable to currently active licensees.

Status: Action in process.

The Secretary of Defense should provide DOD-wide guidance on documentation needed to identify and monitor facilities using nuclear materials and provide a permanent, centrally retained record of the radiological status of the facilities, either when operations cease, or when decommissioning is completed.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should establish a decommissioning program that specifies criteria for selecting tentative decommissioning methods during the facility planning phase and criteria for design features to be incorporated in

facility planning.

Status: No action initiated: Date action planned not known.

The Secretary of Energy should establish a decommissioning program that specifies criteria for selecting tentative decommissioning methods during the facility planning phase.

Status: Action in process.

The Secretary of Energy should resubmit the DOE proposed legislation to provide the necessary authority which it currently lacks to proceed with remedial cleanup of all sites under the Formerly Utilized Sites Program.

Status: Action completed.

The Administrator of EPA should reevaluate the priority assigned to developing residual radioactivity standards so that this process can be started immediately.

Status: No action initiated: Date action planned not known.

The Administrator of EPA should develop and present to responsible committees of Congress, within 6 months from the date of this report, a plan setting forth the steps that are needed to develop and issue these standards and the dates that each step will be completed.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

DOE, NRC, and DOD generally agreed with the findings, conclusions, and recommendations and are taking or plan to take actions to solve the decommissioning problems identified in the report. All three agencies disagreed with the recommendation that Congress designate NRC as a lead agency for developing and monitoring a national decommissioning policy. EPA agreed with the recommendations concerning the timely establishment of standards to govern the decommissioning activities of other Federal agencies.

NON-DEFENSE BUDGET FUNCTIONS

FOREIGN MILITARY SALES

Centralization: *Best Long-Range Solution to Financial Management Problems of the Foreign Military Sales Program*

(FGMSD-79-33, 5-17-79)

Department of Defense

Budget Function: Financial Management and Information Systems: Review and Approval of Accounting Systems (998.2)

Legislative Authority: International Security Assistance and Arms Export Control Act of 1976 (22 U.S.C. 2751 et seq.).

For many years, the Department of Defense (DOD) has experienced serious financial management problems with regard to accounting, billing, and collecting for its foreign military sales program.

Findings/Conclusions: DOD has not had an adequate program-wide financial management plan since the program's inception. Each military department and the Security Assistance Accounting Center designed their own systems, which have not provided accurate or timely data. As a result, DOD is unable to provide foreign governments with a proper accounting of how their money was spent. Policy implementation has been inconsistent and attempts at standardization have failed. Although some improvements have been made, progress has been slow and many longstanding problems remain uncorrected.

Recommendations to Congress: Congress should require the Secretary of Defense to produce a plan for centralizing accounting and financial management of the foreign military sales program which should include obligation and expenditure accounting and disbursing of funds, and should assure that all costs properly chargeable to the program are fully recovered. The plan should: (1) specify the responsibilities of the central accounting organization and the external support required from all organizations involved with the program; (2) establish detailed policies and procedures for centralization and define systems requirements; (3) identify personnel needs, including a description of duties; (4) establish milestones for development, testing, and implementation to include the transfer of existing personnel positions to the centralized accounting organization; and (5) require

that the new system be developed and designed in accordance with the Comptroller General's accounting principles and standards and submitted to him for formal approval.

Status: Action in process.

Recommendations to Agencies: The Secretary of Defense should strengthen the existing Defense steering committee charged with identifying and ranking according to priority foreign military sales financial management problems.

Status: Action completed.

Agency Comments/Action

While DOD supported the basic objective of the report that the financial management of the foreign military sales (FMS) programs need to be strengthened, it felt that its own actions to install the necessary improvements were sound and would result in the improvements envisioned by the report. Acting on the recommendation, Congress directed DOD to produce a plan for centralizing accounting and financial management of the FMS program. After conducting a test of centralized accounting at the Security Assistance Accounting Center (SAAC), DOD decided to allow each military service to develop its own standardized accounting system which would report directly to SAAC. Subsequently, the Defense Audit Service performed a study of the DOD test and recommended that it centralize accounting but allow disbursing functions to continue at the present locations. The Appropriations Committees directed DOD to centralize accounting for the FMS program in their fiscal 1982 committee report.

NON-DEFENSE BUDGET FUNCTIONS

FOREIGN MILITARY SALES

Action Needed To Improve Timeliness of Army Billings for Sales to Foreign Countries
(AFMD-81-61, 4-30-81)

Departments of Defense and the Army

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

Legislative Authority: International Security Assistance and Arms Export Control Act of 1976.

GAO reviewed the Army accounting system used to bill and collect for foreign military sales from foreign countries' trust fund accounts.

Findings/Conclusions: GAO found that: (1) the Army has not promptly collected from trust fund accounts for goods and services delivered to foreign customers; (2) serious weaknesses exist in the Army billing system, and many deliveries were not billed at the time of shipment as required; and (3) when the Army's procedures provide for obtaining advance funds, the accounts requested do not always recover costs.

Recommendations to Agencies: The Secretary of Defense should require the Commander of the U.S. Army Materiel Development and Readiness Command to place increased management emphasis on monitoring and followup efforts to ensure that foreign customers are billed for all shipments. This emphasis would include establishing and enforcing standard timeframes for completing billing actions.

Status: Action completed.

The Secretary of Defense should require the Commander of the U.S. Army Materiel Development and Readiness

Command to establish procedures to compare amounts obtained from trust fund accounts with amounts disbursed. This procedure should ensure that adequate advances are collected by the Army when major items are procured for direct delivery to foreign military sales customers.

Status: Action completed.

The Secretary of Defense should ensure that the Army devises and implements a system which provides for directly charging the foreign governments' trust fund accounts when foreign military sales items are directly obtained from contractors.

Status: Action in process.

Agency Comments/Action

Defense concurred with all three of the GAO recommendations. It stated in its section 236 response that corrective action had already been taken or was in process. Defense stated that, although it concurred, it believes that the report did not discuss facts in the proper perspective and is misleading.

NON-DEFENSE BUDGET FUNCTIONS

FOREIGN MILITARY SALES

Millions in Losses Continue on Defense Stock Fund Sales to Foreign Customers
(AFMD-81-62, 9-10-81)

Departments of Defense, the Air Force, the Army, and the Navy

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

Legislative Authority: Arms Export Control Act. DOD Manual 7290.3M. DOD Directive 7420.1.

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) actions on previous GAO recommendations for improving the accounting and financial management of the foreign military sales program. The review focused on the actions taken by DOD to revise and implement the policies, procedures, and accounting systems used to price sales of stock fund items to foreign customers. Specifically, the review discussed whether prices billed to foreign customers for stock fund items were adequate to replace the items in DOD inventories and thus avoid DOD subsidization of the foreign military sales program.

Findings/Conclusions: DOD has continued to largely subsidize the foreign military sales program by not charging foreign governments the estimated replacement cost of equipment and spare parts sold from inventory through DOD stock funds. According to the Arms Export Control Act, estimates of the cost to replace items should be used when making sales to foreign countries if the items sold are to be replaced in the DOD inventory. To implement the Act, DOD policy provided for charging standard stock fund prices, which were to include an inflation factor adequate to recover the replacement costs of items sold. GAO estimated that, because of weaknesses in pricing policies and practices, millions of dollars were not recovered from foreign governments during fiscal year 1980. Inherent in the DOD pricing policy and practices were three main weaknesses: (1) inflation factors used to estimate replacement cost were unrealistically low; (2) inflation factors were not compounded when the items were purchased more than 1 year prior to their sale; and (3) the Air Force and Navy normally updated sales prices only once a year.

Recommendations to Agencies: The Secretary of Defense should require that a more adequate method of estimating replacement cost be used, including adopting a more realistic inflation index.

Status: Action completed.

The Secretary of Defense should require that a more adequate method of estimating replacement cost be used, including compounding inflation factors when computing es-

timated replacement cost for those items purchased more than 1 year prior to their sale.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should require that a more adequate method of estimating replacement cost be used, including updating foreign sales prices more frequently.

Status: No action initiated: Date action planned not known.

The Secretary of Defense should direct the quality control unit recently established at the Security Assistance and Accounting Center to make sure that DOD components adequately and uniformly implement revised estimating procedures.

Status: Action completed.

The Secretary of Defense should direct the military services to make a reasonable attempt to recover from foreign governments the undercharges in sales from the stock fund resulting from the failure to charge a reasonable cost as required by law.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

DOD concurred with three of the five recommendations, including the one to use more realistic inflation factors in estimating replacement cost. It took issue with the report's findings and expressed concern that it conveyed a wrong conclusion about DOD foreign military sales pricing policies. DOD believes that a majority of the random sample transactions in the report were covered by supply support arrangements and not subject to replacement pricing, and that GAO did not use the correct methodology in estimating replacement costs for many sample transactions. DOD criticized use of examples in the report which were not part of the random sample. Although DOD disagreed with the report, in October 1981 it modified its stock fund pricing policy to provide for use of more realistic inflation factors. DOD has established a quality control unit at the Security Assistance Accounting Center to ensure that DOD components adequately and uniformly implement the new pricing guidance.

NON-DEFENSE BUDGET FUNCTIONS

FOREIGN MILITARY SALES

Improvements Still Needed in Recouping Administrative Costs of Foreign Military Sales (AFMD-82-10, 2-2-82)

Departments of Defense, the Navy, the Army, and the Air Force, and Defense Security Assistance Agency

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

Legislative Authority: Arms Export Control Act. DOD Instruction 2140.1. DOD Manual 7290.3-M.

Although Congress has made it clear that the foreign military sales program is not to be subsidized, the Department of Defense (DOD) has no assurance that surcharges on sales to foreign customers are sufficient to recover the full costs of administering the program. GAO was asked to review DOD actions on previous GAO recommendations for improving the accounting and financial management of the program.

Findings/Conclusions: Funds to reimburse DOD activities for administrative costs of the program are obtained from foreign customers through a surcharge added to the sales price of goods and services provided. DOD budgets are used in updating the surcharge rates and in reimbursing DOD activities for the costs incurred. Problems still exist in the program, and DOD is continuing to subsidize the foreign military sales program. The latest GAO study has shown that: (1) DOD is still unable to adequately estimate the full costs incurred by the military services in administering the program because the Defense Security Assistance Agency directed the military services to exclude certain valid costs from their budget submissions and because the military services, in preparing their budgets, made inaccurate and incomplete estimates of other administrative costs to the program; (2) the actual costs incurred by DOD activities in administering the sales program exceeded budgeted amounts, but the amount billed the surcharge account was to be limited to the budgeted amount; (3) DOD made improper transfers of over \$5 million to the administrative surcharge account during fiscal year 1980; and (4) the accounting procedures used did not always accumulate the actual cost or workload data for administering the program. Without an adequate surcharge rate, the administrative support costs will not be recouped. A GAO examination at activities with about \$96 million in fiscal year 1980 billings identified \$5 million in unrecovered costs.

Recommendations to Agencies: The Secretary of Defense, to improve the financial management of the administrative surcharge fund, should require all commands and activities to develop accurate and timely personnel and other cost data for use in preparing budget submissions and obtaining

reimbursement for expenses incurred.

Status: Action in process.

The Secretary of Defense, to improve the financial management of the administrative surcharge fund, should direct the Air Force to reverse the improper transfers made to the administrative surcharge account.

Status: No action initiated: Date action planned not known. The Secretary of Defense, to improve the financial management of the administrative surcharge fund, should require the Defense Security Assistance Agency to monitor the adequacy of the administrative surcharge rate and make periodic adjustments when warranted to ensure full recovery of costs.

Status: No action initiated: Date action planned not known.

The Secretary of Defense, to improve the financial management of the administrative surcharge fund, should direct each military service to periodically adjust its budget estimates to reflect actual costs incurred and report these adjustments to the Defense Security Assistance Agency.

Status: No action initiated: Date action planned not known.

The Secretary of Defense, to improve the financial management of the administrative surcharge fund, should direct the Defense Security Assistance Agency to revise its existing budget guidance to Department of Defense activities to clearly identify the costs to be included in the budget submissions and to require recovery of the full administrative costs of foreign military sales.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

In its Section 236 response, DOD only addressed three of the five recommendations made. Further, DOD concurred with only one of the three recommendations it did address. Action has been taken to implement this recommendation, but no target date has been projected for full implementation. Although DOD plans no actions to implement the two remaining recommendations, its officials will comment on plans for these as well as the two on which it did not comment.

NON-DEFENSE BUDGET FUNCTIONS

INTERNATIONAL AFFAIRS

Forging a New Defense Relationship With Egypt (ID-82-15, 2-5-82)

Departments of Defense and State

Budget Function: International Affairs: Military Assistance (152.0)

Legislative Authority: Arms Export Control Act. Military Construction Authorization Act, 1981 (P.L. 96-418).

GAO reported on U.S. military relations with Egypt. After three decades of cool relations, the United States and Egypt entered the 1980's with a new and expanding relationship. Egypt has established itself as a valuable strategic asset to the United States in seeking Middle East peace and in protecting U.S. interests in the Persian Gulf region. Egypt is the second-largest recipient of U.S. military aid and is slated for Foreign Military Sales (FMS) financing in fiscal year 1982 totaling \$900 million. Besides this security assistance, the United States has established numerous other ties with Egypt. These new developments in the U.S.-Egyptian relationship and the attendant congressional interest that surrounds them led GAO to review progress in military cooperation and areas in which the relationship can be enhanced.

Findings/Conclusions: Although the FMS program has gone a long way toward assisting Egypt, GAO found that some of the equipment acquired with U.S. credit has served more of a political purpose than a military one. In some cases, Egypt is having technical difficulty operating some of the more sophisticated aircraft and is able to keep only some of them flying. However, Egypt sought the aircraft as a symbol of U.S.-Egyptian relations. GAO also found that the executive branch has authorized Egypt to purchase equipment costing more than the allocated loan guarantees. The additional purchases have been made under a so-called "cash flow" system, whereby Egypt depends on future U.S. authorizations to pay bills that come due in future years. GAO stated that this type of financing limits the prerogatives of Congress in authorizing the U.S. security assistance program.

Recommendations to Congress: Congress should enact

legislation requiring the executive branch to provide advance notification for "cash flow" financing commitments to be given to allied countries. This would help ensure adequate oversight and control.

Status: No action initiated: Affected parties intend to act.

Recommendations to Agencies: The Secretaries of State and Defense should fully disclose to Congress the details of the "cash flow" financing authorization given to Egypt and Israel so it can assess the desirability of continuing such a commitment.

Status: Recommendation no longer valid/action not intended. *The State Department believes that information it provided in 1980 is sufficient for Congress. The House Foreign Affairs Committee, Subcommittee on Europe and the Middle East, questioned the State Department and DOD extensively in hearings in 1982 on "cash flow" in Egypt. This, in effect, achieved the goals of the recommendations.*

The Secretaries of State and Defense should establish a joint consultative group with Egypt to study procurement priorities and help ensure that Egypt has the capability and resources to effectively use and maintain the equipment.

Status: Action completed.

Agency Comments/Action

The DOD response did not address the specific recommendations. DOD officials believe that the establishment of a new Military Coordinating Committee satisfies the recommendation for better joint consultation.

NON-DEFENSE BUDGET FUNCTIONS

INTERNATIONAL AFFAIRS

Export Control Regulation Could Be Reduced Without Affecting National Security (ID-82-14, 5-26-82)

Departments of Commerce, Defense, State, and the Treasury

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)

Legislative Authority: Export Administration Act of 1979.

GAO was requested to examine how well the export control system is carrying out the Export Administration Act's national security goal of controlling exports of militarily significant technology and products to the Soviet Union and other Eastern bloc nations.

Findings/Conclusions: The Government carefully examines less than 1 out of every 17 export applications it processes. The need to continue licensing requirements for high-technology products, as well as design and production technology related to both high- and low-technology products, to Communist destinations is clear. However, GAO found that there is little justification for continuing to license the vast majority of low-technology products exported to Communist countries, non-Communist countries, and Coordinating Committee countries. The Department of Commerce by law is required to develop a recommendation for each export application before consulting with other departments or agencies. In high-technology cases, Commerce cannot make a credible recommendation, because it lacks the information necessary to assess military risk. Although it would be both impossible and cost-prohibitive to prevent all illegal exports, the Government recognizes that it needs to provide a more credible deterrent. Some constraints faced by the United States in controlling exports include: (1) practical limits to cargo inspections; (2) lengthy criminal investigations and a large backlog of incomplete investigations; (3) difficulty in obtaining criminal convictions; and (4) no monitoring of conditional licenses to assure that conditions are being fulfilled.

Recommendations to Congress: Congress should amend the Export Administration Act to have Defense make the initial recommendation on export applications that must be forwarded to Defense and have the Department of Commerce limit its review of these applications to those that Defense recommends denying or approving with conditions.

Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of Commerce should consider use of Customs attaches overseas in enforcement investigations.

Status: Action in process.

The Secretary of Commerce should require exporters to provide performance specifications and backup information as part of their export licensing application packages.

Status: Action in process.

The Secretaries of Commerce and Defense should review the Commodity Control List to identify those few low-tech-

nology products that Defense wants to carefully examine before export to Communist countries and then eliminate the remaining low-technology products from licensing requirements.

Status: Action in process.

The Secretaries of Commerce and Defense should reexamine the need for licensing of high-technology products to Coordinating Committee countries and other allies by exploring various alternatives that would satisfy control objectives and reduce or eliminate the burden of licensing.

Status: Action in process.

The Secretary of Commerce should direct Commerce reviewing officials to include a full discussion of: (1) how any citation of past precedent relates to the case under review; (2) foreign companies capable of providing a similar product, how that product compares to the proposed export, and the willingness of the foreign manufacturer to sell if the United States were to deny an export license; and (3) intelligence information on the end user obtained from the intelligence agencies in support of Commerce's licensing recommendation.

Status: Action in process.

The Secretaries of Commerce and Defense should eliminate licensing requirements to non-Communist countries for low-technology products falling below the Communist country threshold level.

Status: Action in process.

The Secretary of Commerce should revise the current embedded technology guidelines in consultation with the Secretary of Defense to incorporate specific Defense concerns.

Status: Action in process.

The Secretary of Commerce should establish a system for identifying high-technology licenses with conditions and then make tests to ensure that licensing conditions are being satisfied.

Status: Action in process.

Agency Comments/Action

The President's Committee on Regulation has recommended to the President that all of the recommendations be adopted. In response, the Export Administration has made a new proposal to its NATO partners and Japan that would effectively implement the major recommendations to reduce export licensing requirements.

NON-DEFENSE BUDGET FUNCTIONS

MEDICAL SERVICES

DOD Needs Better Assessment of Military Hospitals' Capabilities To Care for Wartime Casualties (HRD-81-56, 5-19-81)

Department of Defense

Budget Function: Health: Health Planning and Construction (551.3)

GAO reviewed the Department of Defense's (DOD) efforts to provide medical facilities for American casualties who would be returned to the United States for medical care in the event of a war in an overseas area.

Findings/Conclusions: The latitude provided in DOD guidance on the wartime use of military hospitals in the continental United States (CONUS) permits significant differences in the way the military services determine the extent of care that could be provided in their facilities if a war began. Under DOD guidance, the services have adopted different: (1) transition plans for converting individual hospitals to handle wartime casualties; (2) methods for identifying capacity of individual hospital facilities to expand the care for wartime workload; (3) stockpiling policies for medical materials to meet mobilization expansion requirements; (4) types of buildings as wartime assets to augment hospital capacity; and (5) policies for retention of closed hospitals as future mobilization facilities. As a result of these differences, DOD does not have an accurate assessment of the medical mobilization capacity of CONUS military facilities. Recently, DOD has given little consideration to mobilization in configuring new hospitals, and its construction planning has been directed primarily to meeting design requirements for peacetime operations. Economic feasibility studies performed by the services before undertaking hospital construction projects have been used primarily to select the most cost-effective means of meeting peacetime military medical care needs. Design concept studies performed to determine configuration of new hospitals before construction are oriented to meeting peacetime performance requirements.

Recommendations to Congress: Congress should consider the relative importance of the planned hospitals' roles in the event of mobilization, the extent of mobilization expansion flexibility being built into the new hospitals, the gain or loss of mobilization capacity resulting from the planned hospital replacements, and whether nearby civilian hospitals can be expected to support mobilization needs.

Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of Defense should provide guidance to the military services by permitting sufficient floor space in one-bed rooms to accommodate expansion flexibility for two beds.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by permitting inclusion of medical utilities to support expansion beds in military hospitals planned for readiness areas.

Status: Action in process.

The Secretary of Defense should require the services to complete planned capability assessments in conjunction with the updating of mobilization plans being completed in 1981.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by requiring that economic feasibility studies assess and weigh, in conjunction with peacetime requirements, the mobilization implications of each construction alternative under active consideration.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by requiring that design concept studies identify bed expansion capacity targets, within peacetime sizing constraints, for building the flexibility to expand for mobilization into military hospitals.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by basing the distribution of one-, two-, and four-bed rooms on an assessment of expected peacetime patient needs and mobilization requirements.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by reducing, where appropriate, the number of one-bed rooms in favor of two-bed rooms to improve mobilization capacity of key readiness hospitals.

Status: Action in process.

The Secretary of Defense should develop criteria for services' use in determining which military facilities, such as on-post barracks, housing, or schools, are suitable for medical readiness use to augment military hospitals.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by identifying adjustments in normal hospital operation procedures for nursing units and central surgical and medical support areas necessary to accommodate emergency expansion and compressed bed spacing during mobilization.

Status: Action in process.

The Secretary of Defense should instruct the services to remove from their mobilization plans such designated commercial buildings as hotels and motels that have been designated for conversion to hospitals.

Status: Action in process.

The Secretary of Defense should develop, as part of a 5-year construction plan submitted to Congress, information necessary to assess the impact on mobilization of each hospital to be replaced. For hospital replacements not included in the current DOD construction year, information

provided should be identified as preliminary pending approval of planning funds for more detailed design development.

Status: Action in process.

The Secretary of Defense should assess past hospital design concept studies undertaken by DOD and new hospital design concepts being implemented in civilian hospitals to identify hospital construction design practices that would enhance flexibility for mobilization expansion. Design practices found useful for this purpose could be utilized by the military services for designing future hospitals.

Status: Action in process.

The Secretary of Defense should require the military services to reassess mobilization plans to determine if hospitals and augmenting buildings are in adequate physical condition and are operationally configured to function at planned mobilization expansion capacity.

Status: Action in process.

The Secretary of Defense should instruct the services to remove from their mobilization plans those inactive hospitals that cannot be efficiently equipped and operated under expanded wartime requirements and retain rights to newer hospitals that have been excessed, but offer additional operating potential.

Status: Action in process.

The Secretary of Defense should provide criteria for the military services to use in developing mobilization transition plans for each hospital that provide for the (1) conversion of facilities to wartime configurations; (2) stockpiling for war readiness of beds and materials to support expansion capacity; (3) phasing out of peacetime patient workloads; and (4) transition of hospital operations to designated mobilization staffs.

Status: Action in process.

Agency Comments/Action

The agency agreed with most of the GAO recommendations; however, it withheld concurrence on one recommendation pending completion of a study.

NON-DEFENSE BUDGET FUNCTIONS

MEDICAL SERVICES

Stronger VA and DOD Actions Needed To Recover Costs of Medical Services to Persons With Work-Related Injuries or Illnesses
(HRD-82-49, 6-4-82)

Department of Defense and Veterans Administration

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)

Legislative Authority: Claims Collection Act (31 U.S.C. 951). Medical Care Recovery Act (42 U.S.C. 2651). Small Business Loan Act of 1981 (P.L. 97-72). 4 C.F.R. 102. Cal. Lab. 4903. Cal. Lab. 4903.1.

in response to a congressional request, GAO reviewed Veterans Administration (VA) and Department of Defense (DOD) efforts to recover the costs of medical services from workers compensation insurance in cases involving work-related injury or illness. Sample claims were traced to the facilities that provided the medical care to determine whether VA and DOD officials were aware of the claims and had sought reimbursement from workers compensation carriers or employers for the treatment provided.

Findings/Conclusions: GAO found that VA and DOD failed to recover the costs of most health care services provided to beneficiaries covered by workers compensation because: (1) liens were not filed in approximately two-thirds of the cases reviewed in which the facility should have been aware that a work-related injury had occurred; and (2) VA and DOD attorneys did not actively pursue recoveries after a lien had been filed. The agencies recovered less than 12 percent of the cost of care provided in the cases for which such costs could be estimated. In most of the cases reviewed, the facility was put on notice of the claim through a request for the individual's medical records by an attorney, an insurance company, a Workers' Compensation Appeals Board, or the individual. However, medical facilities frequently failed to notify the recovery unit of the potential claim. As a result, VA and DOD attempted to recover the costs of care provided in only slightly more than one-third of the nearly 150 cases in which the facility should have been aware that the injury was work related.

Recommendations to Agencies: The Administrator of Veterans Affairs and the Secretary of Defense should reemphasize the need for medical facilities to refer potential work-related cases to the recovery office and issue instruc-

tions requiring that all requests for medical records from an attorney, the Workers' Compensation Appeals Board, or an insurance company be referred to the recovery office for possible recovery action.

Status: Action in process.

The Administrator of Veterans Affairs and the Secretary of Defense should revise regulations or written procedures to emphasize that Government representatives should actively participate in workers compensation settlements.

Status: Action in process.

The Administrator of Veterans Affairs and the Secretary of Defense should monitor the progress of the Medi-Cal pilot project in California to determine whether a similar contract could improve VA and DOD recoveries.

Status: Action in process.

The Administrator of Veterans Affairs and the Secretary of Defense should direct recovery offices in California to object to the application of the Gregory formula to VA and DOD liens.

Status: Action in process.

Agency Comments/Action

Both VA and DOD have challenged the use of the "Gregory Formula" to reduce workers' compensation liens in California. In addition, both agencies are monitoring the progress of the Medi-Cal pilot project with a private lien service company and indicated that additional actions will be taken to emphasize the need to actively pursue claims. DOD responded to the committee on September 20, 1982, and VA on September 26, 1982.

NON-DEFENSE BUDGET FUNCTIONS

MEDICAL SERVICES

Millions Can Be Saved Through Better Energy Management in Federal Hospitals (HRD-82-77, 9-1-82)

Departments of Defense and Health and Human Services, and Veterans Administration

Budget Function: Energy: Energy Conservation (272.0)

Legislative Authority: Energy Conservation Policy Act (P.L. 95-619). 10 C.F.R. 436. Executive Order 12003.

GAO discussed the potential of Federal hospitals to reduce energy consumption and costs through improved energy management.

Findings/Conclusions: GAO found a potential for additional energy savings at the 19 hospitals it visited. Furthermore, they had not implemented many low-cost conservation measures, which include reducing hot-water temperature, installing water-flow restrictors, repairing duct insulation, and installing low-wattage fluorescent lighting. GAO identified conservation opportunities at several hospitals which would drastically reduce their annual energy costs, and many of the energy savings measures would pay for themselves in less than a year. Conservation measures used by non-Federal institutions can be implemented while keeping lighting, temperature, humidity, and airflow within prescribed agency standards and without otherwise affecting patient safety or comfort. Most non-Federal hospitals have aggressive energy saving programs which have resulted in savings around the 20- to 40-percent range. Comparable savings by Federal hospitals have not been achieved, primarily because of weaknesses in their energy management programs. GAO believes that Federal hospitals, in order to achieve savings of 20 to 40 percent, would have to finance conservation measures costing about two to three times their estimated annual savings. The more costly measures should result in savings that would recover the required investment in 3 years or less, with additional savings continuing throughout the life of the equipment or building.

Recommendations to Agencies: The Secretary of Defense should require that the Secretary of the Army and the Secretary of the Air Force: (1) conduct technical audits in Federal hospitals using qualified energy personnel; (2) establish for each Federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) direct Federal hospitals to maintain data and report on their energy use; (4) provide their hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (5) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (6) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (7) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process.

The Secretary of Defense should require that the Secretary of the Navy: (1) conduct technical audits in Federal hospitals using qualified energy personnel; (2) establish for each Federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process.

The Secretary of the Department of Health and Human Services should require that the Indian Health Service: (1) establish for each Federal hospital quantifiable energy conservation goals based on its energy-saving potential; (2) direct Federal hospitals to maintain data and report on their energy use; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process.

The Administrator of Veterans Affairs should: (1) conduct technical audits in Federal hospitals using qualified energy personnel; (2) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (3) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (4) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process.

NON-DEFENSE BUDGET FUNCTIONS

MEDICAL SERVICES

The Armed Forces Institute of Pathology Should Consider Limiting and/or Charging User Fees for Civilian Consultations

(HRD-82-129, 9-28-82)

Departments of Defense and the Army

Budget Function: Health: Health Care Services (551.0)

Legislative Authority: OMB Circular A-25. 31 U.S.C. 483a.

GAO surveyed the policies and procedures of the Armed Forces Institute of Pathology (AFIP) regarding consultations submitted by civilian pathologists for study and diagnosis.

Findings/Conclusions: The mission of AFIP is one of education, research, and consultation in the field of pathology for the military, other Federal agencies, and the civilian sector. In recent years, the greatest share of staff time has been spent on consultations. Although civilian consultations more than doubled during the period from fiscal year 1971 to fiscal year 1982, the number of staff assigned to AFIP has not increased to handle the additional workload. GAO found that: (1) the large number of consultations leaves little time for pathologists to pursue education and research projects, and (2) many of the consultations are routine cases which are poorly documented and of little value to the AFIP registries. Diagnostic services are currently provided free of charge and, although AFIP officials have discussed charging user fees, no detailed cost-benefit analysis has been conducted to determine the effects of such a move.

Most pathologists and AFIP officials do not support charging a user fee for all civilian consultations. GAO believes that AFIP should look into the effects of charging user fees, both from a program and an economic point of view. Another alternative, that of rejecting requests for routine consultations, needs to be evaluated in light of the apparently unsuccessful recent attempt to place a voluntary restraint on civilian consultation submissions.

Recommendations to Agencies: The Surgeon General of the Army should conduct a cost-benefit study to determine the feasibility of charging user fees for civilian consultations. In the event that the cost-benefit study does not support the charging of user fees, the Surgeon General of the Army should instruct the Director of AFIP to follow up on the suggestions contained in the November 1981 Center for Advanced Pathology Consultation Committee Report for ways to improve the quality of cases submitted and to limit the number of civilian consultations.

Status: No action initiated: Date action planned not known.

NON-DEFENSE BUDGET FUNCTIONS

MILITARY HOUSING

DOD Should Give More Consideration to Passive Solar Systems for New Military Family Housing (EMD-82-74, 5-17-82)

Departments of Energy and Defense

Budget Function: Energy: Energy Supply (271.0)

Legislative Authority: Military Construction Authorization Act, 1980 (P.L. 96-125). P.L. 96-418. P.L. 97-99. H. Rept. 96-595. S. Rept. 95-847. 10 U.S.C. 2688.

Since 1979, the Department of Defense (DOD) has been required to consider using solar energy systems in all new units constructed under its military family housing construction program. GAO conducted a review to determine the extent to which DOD was considering the use of such systems for new military family housing.

Findings/Conclusions: For fiscal years 1981 and 1982, GAO found that DOD had planned to use very few active or passive solar energy systems in its military family housing. The reasons for not using more of these systems varied. DOD has established a policy, issued guidance, and the military services are routinely making detailed evaluations of the potential for using various configurations of active solar systems. DOD generally found such systems uneconomical and a GAO review showed that the DOD evaluations appeared to be reasonable. With respect to passive systems, DOD had not established a policy or provided detailed guidance to the military services. Consequently, passive solar systems were not evaluated to the same extent as active systems, and the consideration that each service gave to including passive solar systems in newly constructed military housing units differed. The Department of Energy (DOE) has funded numerous studies and demonstrations showing that passive solar features are currently economical for residential structures in various regions of the country. However, since the economics of some of these features have not been fully demonstrated using DOD life-cycle cost criteria, DOD has remained unconvinced that they would be economical for military family projects. DOE can provide guidance to help the military services determine which passive solar features are likely to be economical for military family housing.

Recommendations to Agencies: The Secretary of Defense should establish a policy requiring the military services to consider, evaluate, and install passive solar systems when

economical. DOD should also develop, with assistance from DOE, guidance for the services to implement this policy. The guidance should identify which passive solar features should be considered, and under what circumstances or conditions, such as location and type of conventional fuel displaced, these features are likely to be economical.

Status: Action in process.

The Secretary of Energy should analyze information from DOE ongoing and completed passive solar projects to determine the economics of passive solar features using the life-cycle costing criteria DOD must use in its military family housing program. The Secretary of Energy should also provide the results of these analyses to DOD and assist in developing appropriate guidance for using passive solar energy in military family housing. The results should be in sufficient detail to determine the conditions and extent to which the different passive solar features are likely to be economical.

Status: Action in process.

Agency Comments/Action

In its Section 236 response of July 19, 1982, DOD concurred with the GAO recommendations and stated that: (1) it has initiated action to require the military services to consider, evaluate, and install solar systems when economical; and (2) it is working with the military services to develop definite guidance identifying which passive solar energy features are likely to be economical. In its Section 236 response of August 4, 1982, DOE concurred with the GAO recommendations and stated that it will provide DOD with the statistically reliable data required by the DOD life-cycle costing method.

NON-DEFENSE BUDGET FUNCTIONS

NORTH ATLANTIC TREATY ORGANIZATION

Problems With the U.S. Management of Foreign Currency Transactions for NATO Programs
(ID-82-10, 12-16-81)

Departments of Defense, the Army, and the Treasury, and North Atlantic Treaty Organization

Budget Function: Financial Management and Information Systems: Internal Audit (998.3)

GAO examined allegations concerning the management and adequacy of internal auditing of foreign currency transactions in support of U.S. participation in the North Atlantic Treaty Organization (NATO) infrastructure and international military programs. GAO also reviewed actions taken by Army officials in Europe to correct foreign currency purchasing and timing of payments deficiencies.

Findings/Conclusions: The NATO/SHAPE (Supreme Headquarters Allied Powers Europe) Support Group which is responsible for financial administration of U.S. participation in NATO international programs greatly reduced the scope of its internal review program over the past 4 years. Since 1977, actions taken by support group management have left it with inadequate and ineffective internal review capability. The effectiveness of the internal review program was undermined by the Support Group management efforts to reduce staff, divert them to other offices, and assign them to operational duties. The current line of authority and command problem among the applicable support groups is a complex one which has an impact on the overall U.S. administration and management of the NATO infrastructure and international military programs. Some corrective actions have been taken on earlier GAO recommendations, but a problem persists with the timing of payments to NATO because adequate procedures have not been developed and followed. The prior report noted that the Support Group was accelerating or delaying NATO payments in an attempt to obtain favorable exchange rates. Speculative efforts such as this are contrary to the intent of Treasury regulations. Army and Support Group officials have agreed that the problems exist and have begun to correct them. In addition, GAO found considerable confusion among the major participants in the process over specific responsibilities, timing, information to be provided one another, and the definition and use of key financial dates.

Recommendations to Agencies: The Support Group Com-

mander should ensure that the size, staff composition, and scope of audit activities of the internal review are sufficient to meet its current mission. The Commander should develop written procedures describing the roles and responsibilities of the Director for Resource Management and the Chief, Internal Review Division, to assist in defining and clarifying the relationship between the two. These procedures should be written to ensure that: (1) all functional areas within the purview of the Support Group's current mission receive adequate consideration in planning audit coverage by internal review; (2) the Chief of the Internal Review Division receives an appropriate level of access to and guidance from the Commander concerning the conduct of the internal review program; and (3) a working relationship is maintained between the Chief of the Internal Review Division and the Director for Resource Management.

Status: Action completed.

The Support Group Commander should develop a well-defined policy on NATO call payments to delineate the procedures to be followed by all the participants in the process. These procedures should: (1) clearly delineate the intent of the Treasury regulations; (2) define responsibilities and actions to be taken by each participant; (3) specify the payment due date on the payment vouchers; (4) record the date a recipient account is credited; (5) establish a cycle for the NATO calls for all the participants to ensure that adequate time is provided; and (6) provide for sufficient documentation to make certain that the results of the NATO calls process are adequately recorded.

Status: Action in process.

Agency Comments/Action

No formal response was required because recommendations were addressed below the Secretary level. However, subordinate officials did respond. They agreed with the recommendations and have taken the recommended actions.

NON-DEFENSE BUDGET FUNCTIONS

PRODUCTIVITY

Increased Productivity in Processing Travel Claims Can Cut Administrative Costs Significantly ***(AFMD-81-18, 1-19-81)***

Departments of Defense, Energy, Health and Human Services, the Interior, the Treasury, and Transportation, General Services Administration, Environmental Protection Agency, Veterans Administration, and National Aeronautics and Space Administration

Budget Function: General Government: Other General Government (806.0)

Legislative Authority: Subsistence Expense Act (44 Stat. 688). 5 U.S.C. 57. 37 U.S.C. 7.

GAO examined the productivity in processing travel claims in response to a congressional request.

Findings/Conclusions: The processing of claims for travel expenses incurred by Federal employees is costing several million dollars more than necessary annually. This amount could be cut significantly by: (1) replacing the reimbursement method used for high cost areas with the method of reimbursing for lodging, plus a flat fee for meals and miscellaneous expenses; (2) eliminating redundant, overly detailed supervisory reviews and unnecessary typing of vouchers; and (3) improving voucher auditing activities at payment centers. The processing of vouchers is expensive and not offset by savings. The presently used high rate (actual cost) method of reimbursing travel provides payment of actual expenses up to a predetermined ceiling. Because it requires detailed itemization, it costs nearly twice as much to process by this method as the lodgings-plus method. Travel voucher processing productivity is also low due to unnecessarily detailed reviews by supervisors and unnecessary typing. Productivity in auditing vouchers at payment centers was impeded by an overconcern for accuracy and by poor processing practices. The General Services Administration has proposed to change lodgings-plus reimbursement for domestic travel to make it compatible with its proposed worldwide reimbursement system. The method, as presently proposed, will be very difficult and expensive to administer. Agency payment center officials contacted felt the proposed method would double the processing costs for lodgings-plus vouchers.

Recommendations to Agencies: The heads of departments and agencies should examine each payment center to determine what actions can be taken to increase productivity.

Status: Action in process.

The Administrator of the General Services Administration should include the following in the Federal Travel Regulations: a statement of the responsibilities of payment center examiners in auditing vouchers.

Status: Action in process.

The Secretary of Defense should direct the Defense Per

Diem Committee to adopt the two-tier, lodgings-plus method for reimbursing military travel and in conjunction with the General Services Administration propose legislation to replace the high rate method with a two-tier, lodgings-plus method.

Status: Action completed.

The Administrator of the General Services Administration should direct that the proposal to add en route reimbursement to the lodgings-plus method be revised as we have suggested.

Status: Action in process.

The Administrator of the General Services Administration should include the following in the Federal Travel Regulations: a requirement for supervisory review of travel vouchers and an explanation of the purpose of such reviews, of which one level is sufficient.

Status: Action in process.

The Administrator of the General Services Administration should include the following in the Federal Travel Regulations: instructions that typing of vouchers is not required and should not be done when travelers prepare legible, handwritten vouchers.

Status: Action in process.

The heads of departments and agencies should establish productivity measures for travel voucher processing as part of their payment center productivity measures, which we recommended in a prior report.

Status: No action initiated: Date action planned not known.

The Administrator of General Services should propose legislation to replace the high rate geographic area method with a two-tier, lodgings-plus method and increase the maximum amount reimbursable for lodgings-plus to such a level to allow for cost growth without getting congressional approval for each new ceiling.

Status: Action completed.

Agency Comments/Action

The Office of Management and Budget has included travel in its "Reform 88" initiative.

NON-DEFENSE BUDGET FUNCTIONS

PRODUCTIVITY

Strong Central Management of Office Automation Will Boost Productivity (AFMD-82-54, 9-21-82)

Departments of Agriculture, Commerce, Defense, Labor, and the Navy, General Services Administration, Office of Management and Budget, Office of Personnel Management, Forest Service, and National Aeronautics and Space Administration

Budget Function: General Government: Legislative Functions (801.0)

Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Automatic Data Processing Equipment Act (P.L. 89-306). Executive Order 12291.

In response to a congressional request, GAO reviewed the management of office automation in the Federal Government.

Findings/Conclusions: The four agencies GAO reviewed are not reaping the maximum benefits or productivity gains from office automation because they lack strong central management. The agencies are now encountering the same problems successful private companies have tried to avoid. These problems are likely to grow as these agencies expand their office automation efforts. Strong central management can be achieved by these agencies if they take advantage of the Paperwork Reduction Act's information management requirements. The Office of Management and Budget (OMB), the General Services Administration, and the National Bureau of Standards are responsible for helping agencies obtain the maximum benefit from office automation. However, these agencies have not provided adequate leadership and guidance which has often resulted in the development of office automation systems which duplicate existing systems, are not compatible with other systems, and are not cost effective.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Navy to designate a central group with responsibility for coordinating efforts to plan, develop, and implement office automation.

Status: Action in process.

The Administrator of General Services should issue "how to" management guidelines for the agencies that provide

criteria on planning, developing, managing, and evaluating office automation systems. These guidelines should be periodically reviewed and updated on the basis of new technological developments in office automation. They should also be approved by OMB before being released.

Status: Action in process.

The Administrator of General Services should establish a forum of agency managers to exchange information and experiences on their past, current, and planned office automation efforts.

Status: Action in process.

The Administrator of the National Aeronautics and Space Administration should establish a central group with responsibility for coordinating efforts to plan, develop, and implement office automation.

Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should direct the Chief of the Forest Service designate a central group within the Forest Service with responsibility for coordinating efforts to plan, develop, and implement office automation.

Status: Action completed.

The Secretary of Labor should hold the Directorate of Information Technology accountable for providing strong central leadership of office automation throughout the Department.

Status: Action completed.

NON-DEFENSE BUDGET FUNCTIONS

RESEARCH AND DEVELOPMENT

Actions Needed To Increase Federal Onshore Oil and Gas Exploration and Development (EMD-81-40, 2-11-81)

Departments of Agriculture, Defense, Energy, and the Interior

Budget Function: Energy: Energy Supply (271.0)

Legislative Authority: Mineral Lands Leasing Act (30 U.S.C. 181 et seq.; 30 U.S.C. 351 et seq.). Engle Act (Minerals). Environmental Policy Act of 1969 (National). Federal Coal Leasing Amendments Act of 1975 (90 Stat. 1083). Wilderness Act (16 U.S.C. 1131 et seq.). Wild and Scenic Rivers Act (16 U.S.C. 1280). Department of Energy Organization Act (42 U.S.C. 7101).

The use of Federal lands for fossil fuels exploration has become an important issue. Managing these lands involves difficult trade-offs between the often-conflicting issues of development, conservation, and environmental protection. An examination was performed on how the exploration and development of oil and gas from Federal lands could be accelerated.

Findings/Conclusions: GAO found that the use of Federal lands for fossil fuels exploration and development is hampered by: (1) the unavailability for leasing of prospectively valuable Federal oil and gas lands; (2) the imposition of stipulations on leases which restrict exploration and development; and (3) lengthy delays in the approval of Federal leases and drilling permits. GAO has determined that the first two of these issues are more significant due to the indefinite duration of actions which have closed lands, the severeness of stipulations on leases, the large acreages involved, and their substantial oil and gas potential.

Recommendations to Congress: Congress should determine whether it wishes to be excluded from the review and possible disapproval of decisions to close lands to mineral leasing. If not, Congress should amend section 202(e) of the Federal Land Policy and Management Act to provide that the management decisions closing lands to mineral leasing and affecting smaller sized tracts should be reported to Congress. Section 202(e) should be further amended to require that Department of the Interior submit with each report to the Congress the minerals report described in section 204(c)(2) for withdrawals and any other information required in section 204(c)(2) which the Congress considers appropriate. Congress should also amend section 3 of the Engle Act so that the withdrawal information for military applications conforms with the Land Policy and Management Act's section 204(c)(2) requirements for mineral analyses.

Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretaries of Agriculture and the Interior should direct the Forest Service and the Bureau of Land Management, respectively, to establish standards and criteria for the use of restrictive stipulations, such as surface disturbance and "no surface occupancy" restrictions. Leasable lands should then be inventoried to determine the extent of the use of such stipulations and to verify if the stipulation use meets the standards and criteria. Stipulation uses which are determined to be unjustified should be removed.

Status: No action initiated: Date action planned not known.

The Secretary of the Interior should direct the Bureau of Land Management to: (1) change its guidelines implementing the National Environmental Policy Act to defer the requirement for environmental assessments for oil and gas activities until surface disturbance is proposed; (2) establish standard time frames for completion of lease processing; (3) work with surface management agencies to develop cooperative agreements and goals for lease processing; and (4) develop a standard followup system for tracking outstanding lease applications. The Secretary should direct the Geological Survey to: (1) clearly state in its guidelines what the operator is required to submit; (2) review drilling permit applications and notify an applicant within 7 days of the filing date if his application is incomplete; (3) develop standard procedures for tracking and recording actions; and (4) coordinate with operators so that they have an archaeologist available during joint-site inspections.

Status: Action completed.

The Secretary of Defense should formulate a minerals policy, consistent with current national energy needs and evaluations of oil and gas potential on affected lands, that will provide guidance to the military services in making installations available to leasing.

Status: Action completed.

The Secretary of the Interior should: (1) establish criteria upon which "no leasing" decisions must be based and also require the Bureau of Land Management to maintain records of "no leasing" decisions adequate enough to permit periodic congressional oversight; (2) require the Bureau to inventory lands which have been closed by management decision to oil and gas leasing, and then retain closure only to the extent it can demonstrate that a continuation of the decision not to lease is based on the criteria defined above; (3) direct the Bureau to give priority to evaluating the pre-Engle Act Defense withdrawals under the Bureau's withdrawal review program; (4) direct the Geological Survey to review the oil and gas potential of the Fish and Wildlife Service's refuges in the lower 48 States; (5) direct the Bureau to develop a withdrawal review program to include the remaining 38 States; and (6) direct the Bureau to inventory and justify lands withheld from the simultaneous leasing system.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

Interior, DOD, and USDA strongly support most of the recommendations contained in the final report. Interior has made several changes in expediting the processing of Federal leases and drilling permits, reducing the number and severity of lease restrictions, and opening more oil and gas lands to leasing. DOD has implemented leasing guidelines for military installations. USDA has developed a memorandum of understanding with Interior to help expedite the processing of leases.

NON-DEFENSE BUDGET FUNCTIONS

RESEARCH AND DEVELOPMENT

The Nation's Unused Wood Offers Vast Potential Energy and Product Benefits (EMD-81-6, 3-3-81)

Departments of Defense, Agriculture, and Energy, General Services Administration, and Environmental Protection Agency

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)

Legislative Authority: Wood Residue Utilization Act of 1980 (P.L. 96-554). Public Utility Regulatory Policies Act of 1978 (92 Stat. 3117). Energy Tax Act of 1978 (P.L. 95-618). Clean Air Act Amendments of 1977 (42 U.S.C. 7401 et seq.). P.L. 95-617. P.L. 95-621. S. 1775 (96th Cong.).

Immense quantities of wood residues are wasted in the United States in the form of decaying logging residues and dead trees, unused wood processing residues, and large, untapped acreages of small, defective, and other lower value trees. Wood residues could be an important energy source. A study was made of Federal policies that are contributing to this lost potential.

Findings/Conclusions: GAO identified numerous factors standing in the way of greater use of wood residues for energy and products. These barriers include inadequate data on the volume, location, accessibility, and availability of forest residues; lack of economical and effective equipment for harvesting and transportation of residues; lack of investment capital needed for harvesting and using residues; and limited awareness and acceptance of wood energy and product technology among industrial firms, utilities, and State and local bodies. Other obstacles pertain to Federal forest management policies and programs, utility practices and regulations, and environmental concerns related to greater use of residues. The Forest Service and the Department of Energy have made little progress in developing a national wood residue plan. The agencies should make a number of residue assessments in operating areas which are defined in terms of key factors such as topographical features, transportation corridors, economic hauling distances, and landowner attitudes. The Forest Service should take the lead in accomplishing the needed assessments. The Department of Energy should be an active participant in the studies. The assessments must deal more with resource management problems than end-use technology questions.

Recommendations to Agencies: The Secretaries of Agriculture and Energy should present to Congress within two years a national wood residues plan, including proposed residue use goals and recommendations for legislation or other actions to overcome barriers to such goals. It should be supported by data on regional variations developed through the residue assessments.

Status: Action in process.

The Secretaries of Agriculture and Energy should work jointly to implement an accelerated program to develop and demonstrate residue-handling equipment in cooperation with private industry.

Status: Action in process.

The Secretaries of Agriculture and Energy should work jointly to develop standardized methods for evaluating the

costs and benefits of using wood fuels in Federal facilities, including allowance for forest management benefits, and submit these methods to the Office of Management and Budget within 6 months for dissemination to the executive branch to assure consistency in life-cycle energy evaluation.

Status: Action in process.

The Secretaries of Agriculture and Energy should establish a program to promote use of wood fuels among industry, utilities, and State and local bodies through increased participation in demonstration projects and provision of educational materials and direct technical assistance.

Status: Action in process.

The Secretaries of Agriculture and Energy should (1) convert all Department facilities to wood fuels for all or part of their heating/power needs where life-cycle evaluations show them to be cost effective; and (2) identify and evaluate additional opportunities to demonstrate wood-energy technologies at Department facilities in order to enhance the prospects for future economic feasibility of such technologies.

Status: Action in process.

The Secretary of Agriculture should upgrade the forest survey to provide an inventory of the potentially usable biomass of all trees and woody shrubs, logging residues, and dead trees on the nation's commercial forest lands.

Status: Action in process.

The Secretary of Agriculture should request legislation which would authorize the Department to grant private firms either title or an exclusive license in residue-handling equipment and reconstituted wood product technologies developed wholly or partly with Federal funds when needed to stimulate commercialization.

Status: Action in process.

The Secretary of Agriculture should (1) increase promotion of new reconstituted wood product technologies developed with Federal funds by allocating necessary resources to effectively disseminate information and provide technical assistance to forest products firms; and (2) adopt a more flexible policy which allows use of long-term contracts to assure that residues from National Forests will be available on a continuous basis when needed to achieve increased residue use in a given area.

Status: Action in process.

The Secretary of Agriculture should (1) demonstrate Forest Service ability to conduct tree measurement sales and convert the agency's western region to the tree measurement

basis as rapidly as possible; and (2) preserve logging residues for potential future use by foregoing burning whenever possible under sound forest management practices.

Status: Action in process.

The Secretary of Defense and the Administrator of General Services should assure, in implementing existing policies for conversion of their heating/power systems from oil and natural gas to alternative fuels, that wood is given equal consideration with coal in forested regions of the country. A canvass of wood conversion opportunities at all such facilities should be made to later be tested by the standard feasibility evaluation methods developed by the Forest Service and DOE. They should also issue procurement guidelines pointing out that, because of their value in meeting national energy goals, residue-based wood products be carefully considered as alternative materials for all construction and related application and related applications.

Status: Action in process.

The Administrator of EPA should request legislation to amend the Clean Air Act to allow full recognition of trade-offs in facilities siting decisions. The Administrator should encourage the States to modify their policies where needed to recognize such trade-offs.

Status: Recommendation no longer valid/action not intended. *EPA states that its policies already allow trade-offs to be considered in facilities siting decisions.*

The Administrator of EPA, to help promote wood residue use in locations where current air pollution regulations preclude such facilities, should develop policies and procedures that (1) recognize emission trade-offs resulting from reduced burning of residues in the woods or in other locations and increased burning at proposed wood energy facilities; and (2) allow such trade-offs to be considered in deciding whether a wood-burning facility may be constructed and what type of pollution control equipment will be required.

Status: Recommendation no longer valid/action not intended. *EPA disagrees because it does not consider the best available control technology requirements to be a major obstacle to construction of wood burning plants. It cites at least four such plants which have received construction permits in the Pacific Northwest.*

The Secretaries of Agriculture and Energy should conduct a cooperative program of assessments in at least six locations around the country. The Secretaries should select the areas they believe hold the most promise for increased use of residues based on estimates of residue availability and cost and availability of competing energy sources. Specific information to be developed through assessments should include (1) the cost of making detailed residue inventories in each assessment area, with projections of costs to make such inventories regionally and nationally; (2) the volumes of wood residues that are potentially available in each area and the costs to collect and remove them using conventional equipment; (3) the specific needs for improved equipment to lower collection and removal costs; (4) the benefits and costs of, and alternative Federal roles in stimulating, greater removal and use of wood residues by modifying or initiating a number of possible forest management

policies and programs on Federal, State, and private lands and encouraging private investment in new or modified facilities to use wood residues; and (5) the extent of, and alternatives for reducing, additional barriers to residue use caused by utility practices and regulations, air pollution regulations, and other factors.

Status: Action in process.

Agency Comments/Action

All five agencies involved in the recommendations submitted section 236 responses. The responsible agencies are in the process of taking action on the recommendations, except for the two that recommend EPA action. More definitive information will be obtained in the next followup cycle.

NON-DEFENSE BUDGET FUNCTIONS

RESEARCH AND DEVELOPMENT

Developing Alaska's Energy Resources: Actions Needed To Stimulate Research and Improve Wetlands Permit Processing

(EMD-82-44, 6-17-82)

Departments of the Interior and the Army

Budget Function: Energy: Energy Supply (271.0)

Legislative Authority: Alaska National Interest Lands Conservation Act (P.L. 96-487). Clean Water Act of 1977 (33 U.S.C. 1344). Water Pollution Control Act. Executive Order 8979. S. 1562 (97th Cong.).

To determine if Federal agencies are advancing environmentally sound approaches to energy exploration and development, GAO evaluated: (1) the results of oil- and gas-related experience on the Kenai National Wildlife Refuge, the only Federal land in Alaska where significant production has occurred; (2) the measures used in Alaska to prohibit exploratory drilling during certain months of the year and to control drilling waste disposal; (3) the adequacy of research to lessen the impacts of energy development; and (4) wetlands permitting, which is of crucial importance to energy development on all Alaskan lands.

Findings/Conclusions: Additional research is needed to evaluate the impacts of oil- and gas-related activity in Alaska as a basis for promoting environmentally sound approaches to future development without unnecessarily increasing its cost. GAO found that two costly and controversial restrictions are being widely applied to energy exploration in the Arctic; however, there has not been adequate research to support either the imposition or the removal of these restrictions. Use of site-specific research findings would allow refinement of environmental protection controls suitable to the unique characteristics of the lands on which they are applied, and this would minimize universal or blanket stipulations where they are not necessary. The U.S. Army Corps of Engineers has been slow in processing wetlands permits, which are required for many oil and gas projects in Alaska, and has frequently included controversial and costly conditions in its permits without requiring substantiation of their need through research findings and site-specific data.

Recommendations to Congress: Congress should provide for three critical elements: coordination, prioritization, and sources of funding for research to evaluate the impacts of energy development in the Arctic.

Status: Action in process.

Recommendations to Agencies: The Secretary of the Interior should utilize existing research findings and site-specific data to the maximum extent possible and, after a source of further funding is worked out, direct and use additional site-specific research in the application of stipulations to future Alaskan energy projects. This should include using such data as a basis for determining whether the seasonal drilling restriction should be continued as a general stipulation for individual tracts.

Status: Action in process.

The Secretary of the Army should only grant the State of Alaska extensions to the public comment period when they are adequately justified and use research findings and site-specific data to the maximum extent possible in determining the need for proposed stipulations in future permits.

Status: Action in process.

The Secretary of the Army should require that Federal agencies support the need for proposed permit stipulations to the maximum extent possible with site-specific data and relevant research findings.

Status: Action completed.

The Secretary of the Army should direct the Chief, Corps of Engineers, to have the Corps' Alaska District management periodically summarize the time required to issue public notices and enforce the 15-day timeframe established by law.

Status: No action initiated: Date action planned not known.

Agency Comments/Action

Interior also submitted a 236 response on August 23, 1982, indicating that it plans to comply with the recommendation within budgeting constraints. The Army issued new regulations for the section 404 wetlands permit process which include steps that concur with the recommendations. Interior has responded to OMB Circular No. 50; Army has not.

NON-DEFENSE BUDGET FUNCTIONS

SUPPLY MANAGEMENT

Opportunities for Improved Oil Recycling Still Exist (PLRD-82-113, 9-17-82)

Departments of Defense, the Army, the Navy, and the Air Force, and Office of Management and Budget

Budget Function: General Government: General Property and Records Management (804.0)

Legislative Authority: Water Pollution Control Act Amendments of 1972 (Federal) (P.L. 92-500). Energy Policy and Conservation Act (P.L. 94-163). Resource Conservation and Recovery Act of 1976 (P.L. 94-580). Used Oil Recycling Act of 1980 (P.L. 96-463).

In response to a previous GAO recommendation, the Department of Defense (DOD) established an oil recycling and reuse policy and guidance for the military departments and defense agencies on the collection and disposition of used oils. GAO performed a followup review of how DOD activities collect and dispose of used oil.

Findings/Conclusions: Many DOD installations and activities are not following the DOD guidance. GAO found that collection and selling practices tended to mitigate against re-refining used oil, and some activities were selling used oil when they could have burned it more economically as fuel. While the services have adopted and incorporated the DOD policy into their own regulations, their failure to aggressively implement this policy and guidance has resulted in the loss of numerous opportunities to achieve better conservation and economic use of lubricating products. By improving their collection and disposal practices, DOD activities can make their used oil more suitable for re-refining and also enhance the product's market value. This can be done by: (1) collecting used oil in ways that segregate recoverable products, such as automotive and jet turbine oils, by type

and keeping them clean; (2) storing oils in bulk containers to reduce storage and handling costs; and (3) collectively disposing of used oils from installations in the same geographic area to enable DOD to offer large quantities of used oil which would make re-refining more feasible and reduce disposal costs. GAO believes that DOD activities should cease the practice of selling used oil when it can be burned more economically as fuel. It also believes that the closed-loop re-refining arrangement has excellent potential for economically improving the use of used oil at large installations.

Recommendations to Agencies: The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to follow the DOD guidance in the collection and disposal of used oil. The Secretary should also direct a trial of the closed-loop arrangement for re-refining used oil generated at a large user installation or several installations in close proximity to one another. If this trial shows this arrangement to be a beneficial way of utilizing used oil, it should be extended to as many locations as is feasible.

Status: No action initiated: Affected parties intend to act.

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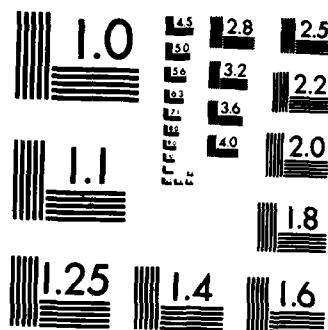


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